

## **Exhibit 11**

# FTX DIGITAL MARKETS LIMITED

## SAFEGUARDING OF ASSETS & DIGITAL TOKEN MANAGEMENT POLICY

Document History		
Date	Version	Description
August 2021	v1.0	N/A.

#### Confidentiality

All information contained in this document shall be kept in confidence. No part of this document is to be altered or copied without the written agreement of FTX Digital Markets Limited (**FDM**). None of this information shall be divulged to persons other than to authorised employees and contractors of FDM on a need to know basis. The release of this document to other parties must be authorised by FDM, and only once an NDA has been signed with that party.

#### Review & Approvals

This document requires review and approval as it may be released to third parties as part of FDM's planning and decision management process. The following representatives of FDM have approved this document:

Name	Title	Date Approved
Ryan Salame	CEO	16/08/2021

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## INTRODUCTION

This policy outlines FDM's approach to the safeguarding of assets. In developing this policy, FDM has considered the operational, technical, and organisational aspects of its approach to the safeguarding of assets. Furthermore, FDM has considered the best practice guidance issued for the virtual asset sector.

FDM fully acknowledges that its products and services are at risk from criminals and others seeking to steal and misappropriate assets belonging to FDM and its customers. FDM is committed to take appropriate measures to prevent potential loss of assets.

## OBJECTIVE

This policy's objective are to:

- Emphasise our stringent commitment to safeguarding assets belonging to both FDM and its customers;
- Summarise the main procedures, systems, and controls FDM has implemented to appropriately segregate its own assets and its customers' assets;
- Summarise the main procedures FDM has implemented to reconcile its own assets and its customers' assets; and
- Explain how FDM will manage the digital tokens under its custody.

## SCOPE

This policy, subject to any local or jurisdictional legal or regulatory requirements, applies to:

- FDM, its employees, consultants, contractors, temporary employees, or any person having access to FDM or customer assets;
- External third parties, through contract commitments; and
- All information systems owned by and/or managed by FDM including all computers, technical infrastructure, network devices, applications, and databases.

This policy defines the manual and electronic protection requirements for FDM and its customers' assets.

Where FDM authorises arrangements whereby a third party stores or transmits FDM or its customers' assets on its behalf, it is FDM's responsibility for the oversight of the third party's procedures and practices and ensuring that they meet the requirements of this policy and any applicable regulations.

## POLICY COMPLIANCE

Compliance with this policy is mandatory for all users that access (or have access to) FDM's or its customers' assets. Any internal or external business supporting processes or procedures that cannot comply with this policy or supporting policies and standards, must have an exception statement approved by the Compliance Officer (CO).

Users involved in the management of third-party suppliers and service providers are responsible for ensuring that all third-party contracts and agreements impose sufficient obligations on suppliers and service providers to support FDM's cybersecurity objectives as set by this policy.

Deliberate or persistent attempts to violate or actual violations of this policy will lead to disciplinary measures.

FDM is a company incorporated and registered in The Bahamas, as is therefore bound to comply with certain rules and regulations covering customer data.

## APPORTIONMENT OF RESPONSIBILITIES

FDM clearly defines the roles and responsibilities of all individuals with oversight of the company's safeguarding of assets strategy.

## FDM'S RESPONSIBILITIES

FDM is ultimately responsible for the safeguarding of its customers' assets.

FDM's key roles and responsibilities in relation to safeguarding of assets are outlined below:

- Appropriately account for the difference between its own assets and its customers' assets;
- All third-party providers will be aware that customer assets do not represent assets of FDM;
- All third-party providers are aware that customer assets are held in trust;
- FDM will have systems of control in place that are proportionate to its size, the assets in custody and the risks involved in its business, including the management of digital tokens in its custody;
- Developing and implementing procedures appropriate to the nature, size, and complexity of FDM's business and the risks it may reasonably face; and
- Ensure that the policies, controls, and procedures are regularly reviewed and updated according to the latest technology available, and that these are approved by senior management.

## SENIOR MANAGEMENT RESPONSIBILITIES

The CEO is the primary person responsible for the secure storage and implementation of certain financial and treasury procedures in place to protect FDM and its customers' assets.

To do so, the CEO will appoint a person(s) with sufficient seniority, skills, and experience to oversee the relevant procedures below:

- **Chief Technology Officer or equivalent:**
  - combating attacks on and attempts to steal funds and damage the infrastructure put in place to secure storage;
  - ensure that cryptography algorithms and hardware meet relevant security standards;
  - developing and releasing software ensuring security including, but not limited to, cryptography algorithms and hardware; and
  - performing regular security testing (pen-testing).
- **Chief Operating Officer or equivalent;**
  - ensuring FDM and customer assets segregation for accounting, operational and storage purposes;
  - maintaining regular reconciliation of FDM and customer assets; and
  - auditing record keeping system.

- **Chief Financial Officer or equivalent;** and
  - managing FDM assets; and
  - protecting customer assets from third-party creditor claims.
- **Compliance Officer and/or MLRO.**
  - ensuring FDM, its employees, consultants, contractors, temporary employees, or any person having access to FDM, or customer assets complies with this policy.

## SYSTEMS OF CONTROL

FDM will ensure that it has in place systems of control to manage customer assets that are proportionate to its size, the assets in custody and the risks involved in its business.

## ACCOUNTING STANDARDS

As part of its business operations, FDM will maintain reliable accounting records or cause reliable accounting records to be kept in relation to all sums of money received and expended, inclusive of all customer trading activity, trading revenue, and other transactions relating to FDM operations, and FDM will document the reason for such receipt or expenditure.

FDM will ensure that:

- accounting records are maintained in relation to all sums of money received and expended and indicate the reason for the receipt and expenditure accounting records establish the authorisation of transactions relating to expenditure;
- accounting records are reliable, in that the records;
  - explain all transactions by providing a record of the transaction along with an adequate summary of its details;
  - enable the financial position of the company to be determining with reasonable accuracy;
  - enable the preparation of financial statements; and include documentation underlying the transaction.
  - reconcile to cash positions held within banks or to blockchain balances
- there is a written statement included in the accounting records that the records are prepared to the directors' or officers' best knowledge, information and belief;
- the accounting records show the assets and liabilities of the company;
- in the case of Segregated Accounts Company, the accounting records must be maintained in relation to each segregated account as well as the general account of the company;

## IT AND SOFTWARE

Systems of control relating to IT and software will be kept up to date and will meet the latest industry protocols and standards. The systems of control that will be implemented and kept up to date will include, but it not restricted to:

- Multi factor authentication;
- Pattern analysis on internet traffic to servers;
- IP and device checking;
- Looking for brute force attacks on account passwords; and
- Multi-level security checks of customers that request access to their accounts.

## SAFEGUARDING AND SEGREGATION

FDM has a responsibility to ensure that customer assets are appropriately safeguarded and segregated from its own funds. This includes customer assets that may be held by third party service providers. FDM will ensure that:

- Customer assets (both fiat and virtual assets) are segregated from its own assets;
- Customer assets (both fiat and virtual assets) will be clearly designated and easily identifiable;
- All third-party service providers are aware that customer funds do not represent property of FDM and are therefore protected from third-party creditors; and
- All third-party providers are aware that customer assets are held in trust.

Regarding customer fiat assets, FDM will maintain customer accounts with a regulated credit, e-money or payment institution that is acceptable to the Securities Commission of The Bahamas (**SCB**). Customer accounts will be designated as such, and the monies contained therein will be appropriately ring-fenced and protected from claims against FDM.

Customer monies will be appropriately ring-fenced to protect from:

- The unlikely event FDM becomes insolvent;
- The use of customer monies being used to benefit others; and
- FDM using customer monies to finance its own operations.

Written notice will be provided to the relevant regulated credit, e-money, or payment institution to clarify that the assets contained are held by us on trust for our customers and they are not entitled to combine the account any other account, or to exercise any right of set-off or counterclaim against the money in those accounts, in respect of any debt owed by us.

All customer accounts will be under the dual signatory of two directors or of one director, together with a senior member of the management team.

## RECONCILIATION

FDM will take all reasonable steps to ensure that any value is applied to the correct accounts in good time.

### VIRTUAL ASSET RECONCILIATION

FDM must take all reasonable steps to ensure that any value is applied to the correct wallets in good time.

FDM has implemented an automated process which identifies differences between expected customer balances and virtual assets on the relevant blockchains. These amounts are then investigated and reconciled.

When reconciling virtual asset movements, FDM will ensure that any internally calculated balances are reconciled to the expected balance on the underlying blockchain in question. Any differences will be investigated. Any unidentified differences leading to a lower amount of virtual asset balances on the underlying distributed ledger when compared to the internal records, may be covered by the firm until these are investigated and cleared.

The company will look to apply an automated process due to the frequent movement in customer funds.



## FIAT ASSET RECONCILIATION

As a minimum, FDM will reconcile its customer fiat assets and its own assets on a monthly basis. Customer fund reconciliation requires FDM to carry out checks of its internal records and the amount of customer money that the company holds for each customer with its internal records and what the company should hold in customer bank accounts or has placed in customer transaction accounts. If there are resource constraints that prevent the company from performing customer reconciliation, senior management needs to be notified on that business day and a reconciliation must be performed as soon as possible.

In carrying out a customer funds reconciliation, FDM must use the values contained in its internal records and ledgers, rather than the values contained in the records it has obtained from banks and other third parties with whom it has placed customer monies. FDM uses the normal approach to segregate customer money, which means rather than the funds being first received into the company's corporate account and then segregated, customer money is deposited directly into the company's designated customer bank accounts.

A customer asset reconciliation should:

- Help FDM to have adequate protection for its customers' assets when the company is responsible for them; and
- Help minimise the risk of the loss or reduction of customer money, or of rights in connection with customer money, because of misuse of customer money, fraud, poor administration, inadequate record-keeping, or negligence.

If a discrepancy is found between FDM's total customer funds and its total customer fund requirement identified by reconciliations, FDM must determine the reason for the discrepancy and ensure that:

- Any shortfall identified after considering assets in transit, timing differences, or any other feasible reasoning not noted previously must be communicated to SMT as soon as possible and paid into a customer assets bank account;
- Any excess and revenues are clearly recorded and transferred out without delay;
- If any discrepancy is identified in the customer money reconciliation, FDM must investigate the reason for the discrepancy and take all reasonable steps to resolve it, without undue delay, unless the discrepancy arises solely because of timing differences between the accounting systems of the party providing the statement of confirmation and that of the company.

FDM must also inform the Board in writing, without delay if:

- Its internal records and accounts of customer assets are materially out of date, inaccurate or invalid, so that the company is no longer able to accurately reconcile customer assets; and
- If it will be unable to, or materially fails to, pay any shortfall into a customer bank account so that the company is unable to meet customer money requirements after carrying out reconciliation.

## DIGITAL TOKEN MANAGEMENT

FDM uses a best practice hot wallet and cold wallet standard solution for the custody of virtual assets. The firm aims to maintain sufficient virtual assets in the hot wallet to cover two days of trading activities, which means only a small proportion of assets held are exposed to the internet, the remaining assets are stored offline. The 2-day trading figure is continuously monitored and if the hot wallet exceeds this amount, it will overflow into the cold wallet. If the figure drops below the 2-day trading figure, the hot wallet will be topped up from the cold wallet.

The firm utilises a multi-sig signature process (2/3) to move funds between the hot and cold wallets.

#### PRIVATE KEY MANAGEMENT

The key protocols FDM will implement for the management of private keys will include -

- utilising a multi-signature process (2/3) for hot and cold wallet storage and transfers;
- ensuring keys/seeds are created by FDM and are generated using a random process;
- implementing multi-sig arrangements to ensure there is no single point of failure or reliance on a single party to initiate transactions;
- ensure redundant keys are assigned;
- where possible, ensure multi-sig keys are distributed in different geographical locations and different organisational entities;
- where possible, storing back-up keys in different geographical locations and different organisational entities;
- transactions will be signed in a fully offline environment and only broadcast to the network when required;
- having strong physical measures in place to protect keys held offline;
- requiring signatories to undergo background checks, to ensure they are fit and proper; and
- implementing a key compromise protocol.

#### RECORD KEEPING

FDM will securely store all customer asset records during the business relationship with a customer for a minimum of 5 years, following termination of a business relationship. The records will be kept in a manner and format that is accessible, retrievable and provides a clear audit trail to enable our auditors to sign off on our financial statements and our systems and controls.

## **Exhibit 12**



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## Spot Margin Trading Explainer



FTX Crypto Derivatives Exchange  
Updated 2 months ago

### BROWSE



#### How to Borrow & Lend Crypto Using FTX



### Overview

With spot margin trading, users can trade with leverage and go short on spot markets by borrowing from other users (lenders) on FTX, who are looking to earn yield on their assets.

Rates are determined by lenders on the platform and paid every hour. Lenders have the ability to call back their loans at any point in time and receive their funds in an hour.

Similar to futures, spot margin positions are subject to collateral requirements and liquidation rules.

To see current and historical lending rates, visit <https://ftx.com/spot-margin/lending>.

## How do you enable spot margin trading?

To enable spot margin, visit your Profile page, click on the Margin section and select "Enable Spot Margin Trading". If you turn spot margin on, then your account will attempt to borrow any spot assets that it is short.

Keep in mind that with spot margin enabled, rather than selling your non-USD collateral whenever your USD balance dips below certain thresholds, your account will automatically borrow the negative USD balance via the spot margin market and pay the prevailing USD borrow rate. More details on this [here](#).

## What assets are available for borrowing/lending?

You can find the current list on the borrow and lending pages, as well as via API. Most but not all spot assets available for deposit and withdrawal on FTX can be borrowed.

## Borrowing

### How FTX automates borrowing

There are a number of different ways to implement margin trading and borrow/lending. FTX's is the most automatic in the industry, though the user still has full control over their borrowing and lending. Rather than requiring discrete actions to request borrows, receive them, move the funds, open/close positions, etc., the entire process is abstracted away into net balances.

As long as you have sufficient margin, you can borrow spot tokens simply by spending beyond your account's balance of them.

So say that you have \$50,000 (USD) in your account and nothing else. If you sold 1 BTC for \$20,000 in the spot BTC/USD orderbook, your total balances would then be: +70,000 USD; -1 BTC. You didn't have the BTC and so had to borrow it in order to sell it. FTX does this automatically when you sell, sending an order to the funding book on your behalf to borrow 1 BTC.

You can even do this with withdrawals! If your account has 3 BTC and nothing else, you can request a withdrawal of 1 ETH (despite not having any ETH!). FTX will automatically request a borrow for 1 ETH for you, and you can then withdraw that ETH. Note, however, that you cannot borrow to withdraw for greater size than is available and unused in the borrow-lending book!

So there's no need to manage collateral vs margin positions vs withdrawable tokens vs margin trading vs spot trading. The same commands (buy/sell/deposit/withdraw) work normally and are allowed as long as your account has enough total collateral to support the necessary borrows.

Your spot margin positions are cross-margined with your futures positions; there is no separate spot margin requirement you have to monitor.

Generally, the way that futures margin works is that each contract has a margin requirement (**initial margin fraction** to open a position and **maintenance margin fraction** to avoid liquidation), and you need a total collateral value which meets those thresholds.

Spot margin is similar. The position size of a spot margin position is the notional size of any short (negative) balances you have. So for instance if you have + \$65,000; -2 BTC; and BTC is trading at \$20,000, then the size of your spot margin position is \$40,000 (2 BTC \* \$20,000 per BTC). This is treated the same as if you had a \$40,000 futures position on, and requires initial margin to increase and maintenance margin to avoid liquidation.

## Formulas

Term	Formula
<b>Max account leverage</b>	Max account leverage available for spot margin positions is 10x.
<b>Spot Margin Base IMF</b>	<p><u>If borrowing USD:</u></p> <p>= 1 / max account leverage</p> <p><u>If borrowing non-USD assets (e.g. BTC)</u></p> <p>= max (1 / max account leverage, 1.1 / Total Weight - 1)</p>
<p><b>Spot Margin IMF</b></p> <p>The minimum margin fraction required to open a spot margin position, applicable to positions of all sizes.</p>	<p>= max( Spot Margin Base IMF, IMF factor * sqrt [position size in tokens] ) * IMF Weight</p>
<p><b>Spot Margin MMF</b></p> <p>The margin fraction in which our account would start getting liquidated.</p>	<p><u>If borrowing USD:</u></p> <p>= 3%</p> <p><u>If borrowing non-USD assets (e.g. BTC)</u></p> <p>= max ( 1.03 / Total Weight - 1, 0.6 * IMF factor * sqrt [position size in tokens] ) * MMF Weight</p>
<b>Spot Collateral Value</b>	<u>If token quantity is positive</u>

Case 22-11068-KBO Doc 33968-2	<p>Token quantity * token mark price *  <math>\min(\text{collateral weight}, 1) / (1 + \text{imf factor} * \sqrt{\text{token quantity}}))</math></p> <p><u>If token quantity is negative</u></p> <p>Token quantity * token mark price</p>
<p><b>Borrow Rate</b></p> <p>Net fee for borrowing assets, applied to the borrowed size.</p>	<p>(hourly lending rate) * ( 1 + 500 * borrower's taker fee)</p>
<p><b>Total Weight</b></p>	<p>See values here.</p>
<p><b>Collateral Used</b></p>	<p>Position notional * spot margin IMF</p>
<p><b>Max amount you can borrow</b></p>	<p><u>Max USD you can borrow to buy other assets</u></p> <p><math>(\text{collateral} * [1 + 1/\text{max leverage}]) / ([1 + 1/\text{max leverage}] - \text{borrow asset's total weight})</math></p> <p><u>Max token you can borrow to sell</u></p> <p>Collateral / Spot Margin IMF / Mark Price</p>
<p><b>Max borrowed amount you can withdraw</b></p>	<p>Collateral / 1 + Spot Margin IMF</p>

## Examples

Assume that:

- You have \$10,000 in collateral and nothing else
- Your account's max account leverage is set to 10x
- Your taker fee is 0.05%

Throughout this whole section, we will be opening and using the following positions:

	ETH/USD	LTC/USD
Direction	Buy	Sell
Size	10	100
Price	\$2,000	\$50

Total Weight	0.95	0.95
IMF Factor	0.0004	0.0004
IMF Weight	1.0	1.0
MMF Weight	1.0	1.0

### Calculating Initial Margin Fraction (IMF)

Let's start with the ETH/USD long. Because the amount of ETH in notional USD terms you're trying to buy (\$20,000) is greater than the amount of USD collateral you have (\$10,000), your spot margin position will borrow \$10,000 USD.

Since you will be borrowing USD, the initial margin fraction required to open your position will simply be 1 divided by your account's max leverage:

$$= 1 / 10$$

$$= 10\%$$

On the other hand, to short LTC/USD, you will actually be borrowing LTC in order to sell it. As a result, the Base IMF formula for this spot margin position will be:

$$= \max ( 1 / \text{max account leverage}, 1.1 / \text{Total Weight} - 1 )$$

$$= \max (0.1, 1.1 / 0.95 - 1)$$

$$= 15.79\%$$

Now, to calculate the actual Spot Margin IMF for your LTC/USD short, we use this formula:

$$= \max ( \text{Spot Margin Base IMF}, \text{IMF factor} * \sqrt{[\text{position size in tokens}]} ) * \text{IMF Weight}$$

$$= \max (15.79\%, 0.0004 * \sqrt{[100]} ) * 1$$

$$= \max (15.79\%, 0.4\%)$$

$$= 15.79\%$$

### Calculating Maintenance Margin Fraction (MMF)

For the ETH/USD long, since you're borrowing USD, your spot margin MMF will simply be 3%.



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$$= \max ( 1.03 / \text{Total Weight} - 1, 0.6 * \text{IMF factor} * \sqrt{\text{position size in tokens}} ) * \text{MMF Weight}$$

$$= \max ( 1.03 / 0.95 - 1, 0.6 * 0.0004 * \sqrt{100} ) * 1$$

$$= \max ( 0.842, 0.0024 )$$

$$= 8.42\%$$

Keep in mind that risk management on FTX is done at the account level, not at the position level. We look at the weighted average MMF across all of your spot margin and futures positions to determine your account MMF, which would dictate the margin fraction level in which your account would get liquidated. For more details on this, visit our account margin FAQ.

## Calculating Borrow Rate

The borrow rate is influenced by the lending rate, which is determined by the lenders who you're borrowing from, and your taker fee. Let's calculate it for each of your two spot margin positions.

### ETH/USD Long

Assume that the current lending rate for USD is at 2% / year. The Borrow Rate formula uses hourly rates, so to convert the yearly rate to hourly we simply do the following:

$$= 0.02 / 365 / 24$$

$$= 0.000228\%$$

Knowing that your taker fee is 0.05%, let's calculate your borrow rate for USD:

$$= (\text{hourly lending rate}) * ( 1 + 500 * \text{borrower's taker fee} )$$

$$= 0.000228\% * ( 1 + 500 * 0.04\% )$$

$$= 0.000285\%$$

Interest is paid every hour in the currency you're borrowing. In this case, assuming USD rates stay at 2% and your taker fee doesn't change, you'd be paying \$0.0285 every hour to maintain your \$10,000 borrow.

### LTC/USD short

In this case, you're borrowing LTC. Assume its yearly rate is 1%, which converted to hourly equals 0.000114%.

Same as above:

#### Note about fees

The borrow rates displayed on the margin borrows page are the actual rates you'd be paying for that hour (i.e. your taker fee is already blended in).

Also, if funds are borrowed and withdrawn from the account the expected borrow rate for the next hour will be applied to the withdrawn funds

### **Collateral Overview**

Now that the two positions are open, let's see how they affect your account's collateral. Your borrows are considered negative spot balances, which decrease your account's collateral value and require additional collateral as well.

#### How negative spot balances decrease your account's collateral value

With your ETH/USD spot margin long, you borrowed \$10,000 USD in order to buy 10 ETH. This means that, just like a normal spot trade, the 10 ETH will show up as a positive balance in your account. However, because you used margin to borrow the \$10,000 USD, the \$10,000 will show up as -\$10,000 in your account balance.

Similarly, with your LTC/USD short, you borrowed 100 LTC (which will show up as -100 LTC in your balance) and sold it for \$5,000 USD (which will be added to your balance).

Now, using the formula below, let's see how your total account collateral looks:

#### If token quantity is positive

Token quantity \* token mark price \* min (1.1 / [IMF Weight \* {1.1 / Total Weight - 1} + 1] , 1.1 / [Spot Margin IMF Factor \* sqrt(size) \* IMF Weight + 1] )

#### If token quantity is negative

Token quantity \* token mark price

Current Collateral Overview					
Asset	Size	Mark Price	Total Weight	IMF Factor	Total Collateral
USD	-5,000	\$1	1	-	-\$5,000
ETH	10	\$2,000	0.95	0.0004	\$19,000

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<b>Total Collateral</b>	-	-	<b>\$9,000</b>

#### Calculating how much collateral is being used by your spot margin positions

Derivatives and spot margin positions require collateral. To know how much collateral each of your positions is using, use this formula:

= position notional \* spot margin IMF

For your ETH/USD long position:

= \$10,000 \* 10%

= \$1,000

That means that \$1,000 of your collateral is currently being used for your ETH/USD position, which will be deducted from your total account collateral in order to determine your free collateral.

Doing the same for the LTC/USD short position:

= \$5,000 \* 15.79%

= \$789

Market	Position Size	Mark Price	Position Notional	IMF %	MMF	Collateral Used
ETH/USD	10	\$2,000	\$20,000	10%	3.00%	\$2,000
LTC/USD	100	\$50	\$5,000	16%	8.42%	\$789
<b>Total (sum)</b>	-	-	<b>\$25,000</b>	-	-	<b>\$2,789</b>

<b>Total Collateral</b>	<b>\$9,000</b>
<b>Total Collateral Used</b>	<b>\$2,789</b>
<b>Free Collateral</b>	<b>\$6,211</b>

#### **Stocks**

## How Interest Rates are Determined

Every hour, lenders are paid and borrowers are charged. Rates are determined as follows:

1. All lenders specify a minimum borrow rate they must receive for that hour.
2. At the beginning of the hour, we calculate the total borrow demand for each coin between all users.
3. We have an auction: we sort the lending offers by minimum rate, and take the cheapest set that satisfies the borrow demand. The borrow rate is set to the minimum borrow rate of the marginal (most expensive) loan that was required.
  - Alice: wants to borrow 2 BTC
  - Bob: wants to borrow 3 BTC
  - Charlie: lending 1 BTC, min 0.01%
  - Denise: lending 10 BTC, min 0.03%
  - Total borrow demand is 5 BTC.
  - This borrows Charlie's BTC and 4 of Denise's
  - The marginal loan is Denise's 4 BTC loaned out at 0.03% minimum
  - So all 5 BTC of borrows -- including the one against Charlie -- use an **interest rate of 0.03%**

So this means the following:

1. All borrow rates only last for one hour; each hour, they're re-determined.
2. Every borrower pays the same rate for an hour/coin; and every lender who does in fact lend their tokens receives the same interest rate for an hour/coin.
3. When you open up a borrow mid-hour, you end up paying for that hour's interest rate at the end during the auction.
4. Note that you will be charged interest on your borrows whether they're held on FTX, withdrawn, pending withdrawal, sold, or anything else.

## Lending

To lend an asset out, you specify the quantity you want to lend, and the minimum interest rate you'd require. If this loan ends up being borrowed (i.e. your interest rate is below the marginal rate), you will receive the marginal interest rate hourly. By default your specified parameters (amount to try to lend, minimum interest rate) will persist from hour to hour.

Assets that you are lending are effectively locked, and cannot be withdrawn/sold/used as collateral/staked/etc. However, they can be used as maintenance margin to prevent liquidations.

If you choose to stop lending your coins and they were in fact being borrowed, you will stop earning interest on them at the end of the hour and they will be unlocked in 1 hours. If you were offering to lend your coins but they were not actually borrowed (because there was not sufficient demand at your minimum interest rate), you are free to use the coins and stop trying to lend at any point.

You can manage your loans at [ftx.com/spot-margin/lending](https://ftx.com/spot-margin/lending).

## Risk

FTX's risk engine will attempt to liquidate any users before they could get negative net account balance; using spot margin opens you up to liquidation risk. In general, FTX and its backstop fund will attempt to protect other users against other accounts' bankruptcy risk.

For more information, visit our [liquidations page](#).

### *Disclaimers:*

- *FTX Token (FTT) is not available in the United States or other prohibited jurisdictions. If you are located in, incorporated or otherwise established in, or a resident of the United States of America, you are not permitted to transact in FTT.*
- *Trading on FTX is not available in the United States or other prohibited jurisdictions. If you are located in, incorporated or otherwise established in, or a resident of the United States of America, you are not permitted to trade on FTX.*
- *FTX retains the final right to interpretation of its rules and conditions on these and all contracts.*
- *FTX retains the final right to modify terms of its rules and conditions on these and all contracts.*
- *Much of this article is an approximation and ignores details, e.g. fees.*
- *When in doubt, feel free to contact us for clarifications.*
- *This post outlines the basics of the FTX spot margin system. It is not the only relevant resource, and may be overridden by other sources. Eligible parties may be asked to sign other documents in some cases, including but not limited to the FTX Institutional Customer Margin and Line of Credit Agreement.*
- *There are risk factors associated with margin trading, chiefly liquidation risk. Please decide whether margin trading is right for you.*

- As the terms of service make clear, manipulative behavior is not tolerated on FTX. Any attempts to do so may result in account termination at FTX's sole discretion.

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English (US) ▾

FTX Services and FTX Token (FTT) are not available in the United States or other prohibited jurisdictions

## **Exhibit 13**



IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

---oOo---

In re: :  
FTX TRADING LTD., et al., :  
 :  
Debtors, :  
 :  
 :  
 :  
 : Case No.  
 : 22-11068 (KBO)  
 :  
\_\_\_\_\_

CONFIDENTIAL VIDEO-RECORDED

DEPOSITION OF NISHAD SINGH

October 28, 2025

Job No. 1426591

Stenographically reported by:  
LAURA AXELSEN, CSR NO. 6173  
RMR, CCRR, CRR, CRC, RDR

Page 14

1 that you reviewed?

2 A. There were documents that reflected some  
3 emails, a Signal chat, Slack threads.

4 Q. Okay.

5 A. I think that's the whole universe of docs.

6 Q. Were those documents that your counsel  
7 collected and provided to us?

8 A. I'm not sure what their process was. I  
9 just know I saw the docs from my counsel.

10 Q. Okay. Are you aware that your counsel  
11 produced documents from your files to Three Arrows?

12 A. I don't remember.

13 Q. Okay. Do you remember doing any kind of  
14 collection on your end to try and find documents  
15 about Three Arrows to hand over?

16 A. Yes. I can't remember if this was  
17 recently or recently and in relationship to the  
18 previous proffers I'd mentioned.

19 Q. Okay.

20 A. But I do remember looking for documents  
21 relating to Three Arrows.

22 Q. Okay. But you don't remember if that was  
23 in relation to the government information opposed to  
24 Three Arrows looking for information.

25 A. Right.

Page 15

1 Q. Okay.

2 A. May have been both, but I'm not sure.

3 Q. Okay. Do you recall what were the, like,  
4 locations that you were searching to try and find  
5 documents?

6 A. Do you mean the system I was proximately  
7 using or what locations those things would have been  
8 populated from?

9 Q. What they would have been populated from?

10 A. Signal chats, email threads, exports of my  
11 Google Drive from my FTX or Alameda Research  
12 accounts -- G-suite accounts, that is, Slack  
13 threads.

14 Q. Okay.

15 A. And there were also devices -- files on my  
16 device that were uploaded to the system I was using  
17 to query for these. I don't know if that last  
18 category had anything related to Three Arrows  
19 Capital.

20 Q. Okay. So the ones that you do recall that  
21 you mentioned, those were ones that were -- were  
22 they stored on your laptop somehow or you were just  
23 able to access them through systems and they were  
24 stored elsewhere?

25 A. The latter.

Page 16

1 Q. Okay. Am I right that you joined -- and  
2 I'm going to put aside your prior role when you were  
3 at Alameda. My questions are all about FTX. So am  
4 I right that you joined FTX in mid 2019?

5 A. Yes.

6 Q. Okay. And you were working for FTX  
7 Trading; is that right?

8 A. I'm not sure what the entity was I was  
9 working for.

10 Q. Okay. What was your role at FTX?

11 A. I started out as a software engineer, and  
12 then I became an engineering manager where I had a  
13 few engineers that were -- that reported to me, and  
14 then the director of engineering, which the same was  
15 basically true, just more engineers.

16 Q. Okay. So by early 2022, what was your  
17 role?

18 A. I believe by then I was the engineering  
19 director.

20 Q. Okay.

21 A. Or director of engineering.

22 Q. And what were your responsibilities as the  
23 director of engineering?

24 A. Managing other engineers and writing code  
25 myself.

Page 17

1 Q. Okay.

2 A. And these are software engineers.

3 Q. Okay. Were there particular aspects of  
4 the FTX platform that you were responsible for the  
5 code for?

6 A. It was pretty broad spanning, but I was  
7 rarely ever the key architect for anything.

8 Q. Okay. Was there another individual who  
9 was the key architect?

10 A. Yes.

11 Q. And who was that?

12 A. Gary Wang.

13 Q. Okay. Were there any -- were there any  
14 areas where you were the key architect?

15 A. Plenty. Customer support system. The  
16 ticketing is one. Some elements of authentication.  
17 The list goes on.

18 Q. Okay. The customer support system, that's  
19 a system where customers can ask questions or  
20 register complaints. Is that what that is?

21 A. That's right. An inbuilt version of  
22 Zendesk.

23 Q. Okay. So who did you -- focusing on the  
24 2022 time period, at that point, who did you report  
25 to?

1 Q. So what would trigger that?

2 A. The canonical case that they have a  
3 technical question or request. They've observed  
4 latency in an area of the system that's confusing to  
5 them and they want to know how to avoid it.  
6 Something like that.

7 Q. What do you mean by latency?

8 A. They might be querying FTX with using it  
9 via API in a programmatic way as opposed to on the  
10 website. Performance in those areas mattered a lot  
11 to -- VIP customers are highly technical customers.  
12 They might have observed a performance issue on our  
13 side or just been confused about something or might  
14 have wanted to know what best practices are or have  
15 suggestions.

16 So for any number of reasons in that realm  
17 they may have ultimately ended up speaking with me  
18 perhaps after speaking with Zane.

19 Q. Were there any times that customers would  
20 reach out directly to you as opposed to going  
21 through Mr. Tackett or someone else first?

22 A. Almost certainly, but instances aren't  
23 jumping to mind. It would have happened after we've  
24 been well-acquainted and about technical topics.

25 Q. Okay. Do I have this right also in terms

1 of equity ownership when you were at FTX I guess in  
2 the 2022 time period you owned about 6 or 7 percent  
3 of the equity of FTX; is that right?

4 A. That sounds right. I forget if this is  
5 pre or post dilution and so on.

6 Q. Okay. Now, you're familiar that FTX had  
7 public-facing policies that describe the exchange  
8 platform?

9 A. Right. I remember there were policies and  
10 I remember there were documents that described the  
11 exchange. I'm not sure the extent to which the  
12 policies described the exchange.

13 Q. Okay. Did you have any role in designing  
14 the policies?

15 A. No.

16 Q. Okay. You mentioned documents that  
17 described the exchange. What do you have in mind by  
18 those?

19 A. There were help desk articles. Articles  
20 that would describe how technical elements of the  
21 system worked. The liquidation engine, for example.  
22 That description -- I don't know how faithfully that  
23 description ever showed up in policies.

24 Q. Okay. And when you said -- and I use the  
25 word policies and you responded, what did you have

1 in mind when I said policies?

2 A. Ah, I was thinking about like a legal  
3 documents as opposed to descriptive documents. It  
4 might be the case that from a legal perspective  
5 there isn't a distinction. I'm not sure.

6 Q. Okay. What -- what policies were you  
7 thinking of?

8 A. Terms of service comes to mind as a thing  
9 that I'm not sure described the liquidation engine.

10 Q. Okay. Anything else that you would think  
11 of as a policy besides the terms of service?

12 A. I'm not a lawyer. I'm not really sure  
13 what constitutes a policy.

14 Q. And you may know this. Some of my  
15 questions may sound very uninformed. It's because  
16 the -- at Three Arrows we don't have anyone left who  
17 was at the company. So we've been recreating all  
18 this with no one who was actually there. So some of  
19 my questions may sound obvious to you, but we're  
20 still trying to figure out how the system worked  
21 from people who were there.

22 A. I wish all bankruptcy companies would ask  
23 questions like that.

24 Q. And then in terms of the help desk  
25 articles, I have seen things called explainers. Is

1 that what you're thinking of?

2 A. That sounds like exactly what I'm talking  
3 about, but I don't know if that was the heading  
4 under which it was.

5 Q. Okay.

6 A. I don't know if that's what it was  
7 classified as.

8 Q. Okay. In terms of the help desk articles,  
9 did you have any role in preparing those or editing  
10 those?

11 A. Sometimes, yes. I remember some specific  
12 instances.

13 Q. Okay. What are the ones you remember?

14 A. At times, a new coin listings or new  
15 futures listings. There were parameters that  
16 related to those assets. Things that described, for  
17 instance, how much holdings of an asset would  
18 contribute to collateral. There were formulas for  
19 that in the code. They'll be parameterized per  
20 coin. Those parameters would get published on -- in  
21 these help desk articles and technically over API,  
22 and so after listing, I would sometimes go and edit  
23 those documents.

24 Q. So each coin could have a different  
25 percentage by which it contributed to the total

1 collateral value; is that right?

2 A. That's exactly right. There were other  
3 parameters too. That's a very relevant one.

4 Q. Would you be the person who would decide  
5 what percentage of value for coins should be  
6 contributed to total collateral?

7 A. No.

8 Q. Who would make that decision?

9 A. Vary by the case and varied over time. In  
10 many cases ultimately Sam Bankman-Fried would okay  
11 it. There was a, like, listing team, and I don't  
12 know what their internal processes were, but they  
13 would often tell me when a coin was listing and what  
14 its parameters should be.

15 Q. Okay. Why did FTX provide like a  
16 different percentage of collateral value for each  
17 kind of coin?

18 A. Different assets have different liquidity  
19 profiles.

20 Q. So generally based on the liquidity  
21 profile of the coin?

22 A. That's my understanding, but I didn't make  
23 up -- I didn't make the numbers. So I'm not  
24 entirely sure if there were other factors, too.

25 Q. Okay. Why would the liquidity profile

1 affect what collateral value a coin should be  
2 allocated?

3 A. A few other things need to be defined  
4 first to make sense of that.

5 Q. Okay. What do you have in mind?

6 A. It would be useful to define what  
7 mark-to-market value is.

8 Q. Okay.

9 A. I'll pose a toy example. If a customer  
10 has 10 Bitcoin, reasonable people will disagree on  
11 how much that's worth. They may want to establish a  
12 price by which to multiply by 10 to come up with the  
13 value of that portfolio. And one option for  
14 deciding its price is to market-to-market, which  
15 means looking at the current prices at which the  
16 asset is trading right now, ignoring liquidity,  
17 ignoring how much impact selling those 10 Bitcoin  
18 may have.

19 Q. Okay. And were there any other terms you  
20 thought would be helpful to describe before we go  
21 back to my question?

22 A. If we're okay with impact as a term, then  
23 no.

24 Q. By impact, do you mean that selling could  
25 itself affect the price?

1 A. That's right.

2 Q. Okay. So let's go back to why is it that  
3 the liquidity profile of a coin would affect how  
4 much collateral value FTX wants to attribute to that  
5 coin.

6 A. Selling a coin that is illiquid, using a  
7 little bit of a tautology here, these things define  
8 each other, would result in more impact on a market,  
9 more of a price movement. If somebody had a  
10 large -- large holdings in the illiquid coin, it  
11 would be reasonable to assume that after having sold  
12 those assets they would be worth a smaller fraction  
13 of their original value than if that coin was more  
14 liquid.

15 To account for those kinds of dynamics,  
16 when estimating the value of their current holdings,  
17 you might want something like a collateral  
18 fraction -- I forget the actual term used -- but  
19 varied by the coin depending on its liquidity.

20 Q. So if a customer owns an illiquid coin and  
21 FTX needs to liquidate it, FTX might not recover the  
22 full mark-to-market value of that coin?

23 A. Right, or whoever is selling it.

24 Q. Okay. And the reason FTX had these  
25 different collateral fractions was because of the

1 risk that in a liquidation, because they're selling  
2 these assets to the market, it might drive down the  
3 price?

4 A. Yeah, I think that's the whole reason, but  
5 there may also be other reasons. It's at least a  
6 large part of it.

7 Q. Okay. Just to go back to the help desk  
8 articles, were there any other ones that you recall  
9 having a role in editing or drafting besides ones  
10 about the adding new coins?

11 A. Help desk articles related to those two  
12 systems I mentioned earlier I almost certainly  
13 edited or helped describe to somebody who then go  
14 craft the piece.

15 Q. I'm going to show you a few of them as we  
16 go through this. So if these are ones you think  
17 that you had some role in, it would be helpful to  
18 let me know.

19 A. I think I'll be able to remember, but  
20 we'll see.

21 Q. Okay. We talked about policies. We  
22 talked about help desk articles. Were there any  
23 internal policies for FTX employees?

24 A. Yes.

25 Q. Okay. What do you have in mind?

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1 Q. So any -- can you think of any instances  
2 before FTX filed for bankruptcy in which there were  
3 customer losses?

4 A. By which you mean a customer ends up like  
5 net negative on the system?

6 Q. Yes.

7 A. That situation I described with Eth, I  
8 remember -- I don't remember if it was a token Eth  
9 that caused this, but I remember there was something  
10 akin to it where there was a mechanism for  
11 depositing a coin that FTX erroneously counted and  
12 so overcredited a customer with. I don't remember  
13 if that's an instance in which the customer didn't  
14 pay in the end or not.

15 Q. I don't -- I don't think I understand the  
16 situation why overcrediting would necessarily  
17 mean -- would result in a customer loss.

18 A. If you give me a \$10 bill and I misread it  
19 as a hundred, and then you go withdraw a hundred  
20 dollars from the bank. So by the time I recognize  
21 it was actually \$10, someone has a loss.

22 Q. Okay. Other than the Eth example, do you  
23 remember any other instances where there was a  
24 customer loss?

25 A. Yes.

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1 Q. What do you remember?

2 A. It was a firm called Crypto Lotus.

3 Q. Crypto Lotus?

4 A. Yes. I don't remember the details about  
5 how they ended up in a state of loss, but I remember  
6 that they did.

7 Q. Okay. When was this example? Do you  
8 remember what year?

9 A. I don't remember.

10 Q. Do you think it was 2022 or earlier?

11 A. It's possible, but I don't remember.

12 Q. Okay. Do you remember the rough magnitude  
13 of the loss?

14 A. I think in the tens of millions, but I'm  
15 not actually sure.

16 Q. And who ended up absorbing that loss?

17 MR. DUNNE: Objection.

18 THE WITNESS: I am not sure.

19 MR. HARRIS: Q. Do you know if the  
20 customer covered the loss?

21 A. I don't know.

22 Q. Is it possible that FTX absorbed the loss?

23 MR. DUNNE: Objection.

24 MR. CAPONE: Objection.

25 THE WITNESS: It's possible, but I don't

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1 know.

2 MR. HARRIS: Q. Within FTX, who would --  
3 who made the decision what -- how to handle a  
4 customer loss?

5 A. I'm not sure. It wasn't my area.

6 Q. Okay. Ultimately flow up to  
7 Mr. Bankman-Fried?

8 A. In the sense that everything did, and I'm  
9 not sure if in other senses, too.

10 Q. Was there also an incident that some  
11 account or accounts invested in MobileCoin?

12 A. I -- definitely some accounts invested in  
13 MobileCoin.

14 Q. But was there an instance of customer  
15 losses as a result of some accounts having invested  
16 in MobileCoin?

17 A. I think there are definitional ambiguities  
18 there.

19 Q. Okay. What is ambiguous in my question?

20 A. I don't know that any customer accounts  
21 ended up negative.

22 Q. Okay. Was there a -- was there a  
23 situation where there was a concern that some  
24 customer accounts would go negative because they had  
25 invested in MobileCoin?

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1 A. Hmm, I don't know if that was a concern.

2 Q. Okay. I think you testified about some  
3 instance at the criminal trial, right --

4 A. Yeah.

5 Q. -- about customer accounts with  
6 MobileCoin?

7 A. Yes.

8 Q. So what do you remember about that  
9 instance?

10 A. I remember that there was either one  
11 account or a suite of accounts that were engaging in  
12 some form of exploitative spot margin trading that  
13 took advantage of some bad parameters that Gary Wang  
14 had set similar to the parameters we were talking  
15 about before. I don't remember the exact details.

16 The concern may not have been that the  
17 accounts would end up under water. It may have been  
18 that in liquidating them markets -- like the  
19 MobileCoin market would tank or something.

20 Q. Okay. And do you recall there was a  
21 potential loss in the nine figures?

22 A. I remember what Sam Bankman-Fried said the  
23 loss was -- like I remember he was giving a ballpark  
24 amount of loss that Alameda ended up absorbing  
25 because of it. I don't remember like if that was a

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1 realized loss or unrealized loss or what absorbing  
2 exactly meant.

3 Q. What was the ballpark amount of loss that  
4 he mentioned?

5 A. I remember him saying either a billion or  
6 high hundreds of millions of dollars.

7 Q. And you remember that the decision was to  
8 have Alameda absorb that loss rather than socialize  
9 it among customers?

10 MR. DUNNE: Objection.

11 THE WITNESS: That's not exactly what I  
12 remember.

13 MR. HARRIS: Q. Okay. What do you  
14 remember?

15 A. I don't remember what the decision was. I  
16 know it resulted in Alameda shouldering something.  
17 It's ambiguous to me whether or not that thing was a  
18 loss or if it was just a lot of risk in the form of  
19 a large MobileCoin position.

20 Q. Okay. Do you remember the decision was to  
21 have Alameda shoulder that risk rather than have it  
22 be allocated among the customer base?

23 A. Yes.

24 MR. DUNNE: Objection.

25 MR. HARRIS: Q. And I believe you said

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1 that was Mr. Bankman-Fried's decision as far as you  
2 know?

3 A. As far as I know.

4 Q. And you don't recall any instance where  
5 customer losses were socialized among the customer  
6 base; is that right?

7 MR. DUNNE: Objection.

8 THE WITNESS: FTX's collapse.

9 MR. HARRIS: Q. Okay. Before the  
10 bankruptcy happened, do you recall any instances  
11 where customer losses were socialized among the  
12 customer base?

13 MR. DUNNE: Objection.

14 THE WITNESS: Don't recall any instances.

15 MR. HARRIS: Q. Am I right that FTX  
16 called socialization of losses -- they used the term  
17 clawbacks for that?

18 A. I think that was a commonly used term for  
19 it. Clawbacks had a few different meanings in the  
20 crypto world. That's the most prominent of them, as  
21 I remember.

22 Q. Okay. And using that term clawback, you  
23 don't recall there ever being a clawback before the  
24 bankruptcy, right?

25 A. Correct. I don't recall there being

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1 instances.

2 Q. Okay. Let me just look at some of the  
3 things in these account statements. See if you can  
4 help me understand what may have been described in  
5 them. So if you look at I think it's 58, which is  
6 the -- called profit and loss. You see the top line  
7 item under income there's something called backstop  
8 fund revenue?

9 A. Yes.

10 Q. Is the backstop fund also sometimes called  
11 the insurance fund at FTX?

12 A. I'm not sure what this line item refers  
13 to.

14 Q. Okay. Do you remember hearing about a  
15 backstop fund?

16 A. I remember hearing about an insurance  
17 fund, and I know there was different terminology  
18 used to refer to it.

19 Q. Okay.

20 A. Backstop fund makes sense to me as being  
21 the same thing.

22 Q. Okay. And then if you look under  
23 expenses, trading expenses, the first line item is  
24 backstop fund expense. Do you see that?

25 A. Yes.

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1 Q. Okay. So what do you remember about why  
2 the insurance fund or the backstop fund could  
3 generate revenue or an expense for FTX?

4 MR. DUNNE: Objection.

5 THE WITNESS: I am not confident that this  
6 is the insurance fund as I understand it. So I can  
7 speak to the insurance fund part of that question.

8 MR. HARRIS: Q. Okay. So let's talk  
9 about the insurance fund, then. So what do you  
10 remember about how the insurance fund could generate  
11 expense or revenue for FTX?

12 A. In the case of a specific form of  
13 liquidation, one that went through the backstop  
14 liquidity provider system, the insurance fund would  
15 be one of three parties involved in a trade where  
16 the three parties are the liquidating account, the  
17 backstop liquidity provider, and the insurance fund.

18 In the case that an account did not have  
19 sufficient collateral to give fair prices to the  
20 backstop liquidity provider without itself remaining  
21 underwater, the insurance fund would chip in. In  
22 case of where it did, the insurance fund might draw  
23 some in the trade.

24 Q. And you said fair prices, what do you mean  
25 by that?

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1 A. Fair in the -- here is a technical  
2 meaning. The code established what -- what fair  
3 might mean, which is some amount of distance from  
4 the current price at which the liquidated asset is  
5 trading such that the backstop liquidity provider  
6 doesn't -- is not guaranteed to lose money upon  
7 liquidating those funds.

8 Q. So the backstop liquidity provider would  
9 acquire the asset at some price that's better than  
10 where asset's currently trading?

11 A. That's right. Better for them, worse for  
12 the customer getting liquidated. Though, in this  
13 case, better is better mark-to-market, not  
14 necessarily marked to where they can actually sell  
15 it on average.

16 Q. Okay.

17 A. This amount of better aims to reflect  
18 exactly how much they could -- how much impact would  
19 then result from them selling on the market.

20 Q. So the customer would get less than the  
21 mark-to-market value for the asset in the event of a  
22 liquidation?

23 A. Slightly in the instances I can think of,  
24 but I am not confident that's true of all instances.

25 Q. Okay. And how did the code determine what

Page 59

1 was the discount that the customer would receive?

2 A. I don't remember exactly. I didn't write  
3 this part of the code. I strongly expect it relates  
4 to some of the same factors we were talking about  
5 earlier that parameterized different assets. I  
6 expect that there is a parameter or two that relate  
7 to this.

8 Q. Were the customer's assets liquidated at a  
9 price that would essentially set the net asset value  
10 to zero for the customer?

11 A. Not in all cases.

12 Q. In some cases?

13 A. In some cases. Though I don't remember if  
14 that was a special target in the code or if that's  
15 just an outcome that sometimes happened.

16 Q. Okay. Were there some cases where the  
17 sales price for the assets were set at a -- at an  
18 amount that left some net asset value for the  
19 customer?

20 A. Sometimes. It depended on how liquid the  
21 assets were and so on.

22 Q. Okay. And there was something in the code  
23 that determined that, what price the assets would be  
24 liquidated as; is that right?

25 A. For the automatic liquidation engine, the

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1 one that interacted with the insurance fund the way  
2 that we're talking about, yes, a hundred percent in  
3 the code.

4 Q. Okay. For manual liquidations, was that  
5 not driven by the code?

6 A. I -- ultimately, everything still was  
7 driven by the code.

8 Q. Okay. So was the -- was there something  
9 in the code that determined what the sales price  
10 would be for manual liquidations?

11 A. I'm not entirely sure what you're  
12 referring to by manual liquidations. It could mean  
13 one of several things.

14 Q. Okay. What are the options, I guess?

15 A. One option is when a customer and FTX  
16 decide on a price outside of the -- what the  
17 automatic liquidation engine would or one is  
18 determined outside of that, but then the code is  
19 used to sort of effectuate the trade.

20 Q. What other options are there?

21 A. A customer performing those trades  
22 themselves.

23 Q. Anything else?

24 A. A customer doing so over something like  
25 chat via OTC with Alameda. Although, I don't know

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1 if that overlapped with later years at FTX at all.

2 Q. Could an FTX employee manually sell a  
3 customer's assets?

4 A. In almost all cases, no.

5 Q. What is the exception or exceptions you  
6 have in mind?

7 A. Developers with access to do so.

8 Q. Is there anyone besides the developer who  
9 could do so?

10 A. It might have been the case that there  
11 were some admin pages on which -- through which  
12 customers could do this. I remember at least one.

13 Q. What's the admin page you have in mind?

14 A. The reason I created allow negative in its  
15 first instance was for supporting trades of LOCs,  
16 forms of FTT, and gave an admin page through which  
17 FTX administrators could specify the counterparty  
18 for an account and how much locked FTT they wanted  
19 to buy and click a button that thereby spent the  
20 customer's dollars and gave them locked forms of  
21 FTT.

22 Q. Do you know if Mr. Salame had this admin  
23 access where he could manually cause sales of  
24 customer's assets?

25 A. I don't remember if he had access. I also

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1 don't remember if this was unrestricted. It might  
2 have only -- the thing I'm talking about now may  
3 have only related to FTT.

4 Q. Just to go back to the insurance fund,  
5 if -- we were talking about how it might generate  
6 revenue for the -- how a liquidation might generate  
7 revenue for the insurance fund. Am I right the  
8 reason it might generate revenue is because when  
9 these assets are sold at a better than  
10 mark-to-market price that would result in some sort  
11 of gain for the insurance fund?

12 A. Not necessarily.

13 Q. Okay. So why is it might result in  
14 revenue for the insurance fund?

15 A. It would have to be sufficiently better.  
16 I should say it differently. I don't remember the  
17 code exactly. The code is extremely clear and  
18 unambiguous on this. That will just answer the  
19 question, whatever the code is. I have my best  
20 recollection of it. Something like the code  
21 determined what a minimal and maximal amount of edge  
22 mark-to-market for each asset for the size of the  
23 amount of assets getting liquidated was appropriate  
24 to give the backstop liquidity provider.

25 If there was a difference between maximum

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1 amount of edge to charge the liquidated customer and  
2 the amount to be given to the backstop liquidity  
3 provider, that difference could be deposited to the  
4 insurance fund, and I expect that's what we're  
5 talking about is insurance fund revenue.

6 In the case that there was -- we  
7 weren't -- there wasn't sufficient capital or excess  
8 in the customer account to give the backstop  
9 liquidity provider a fair price, where fair here  
10 means determined by the code, without it going  
11 underwater, the insurance fund might chip in for the  
12 difference. Those would be the revenue and cost  
13 sides of what -- what ultimately determined the  
14 holdings of the insurance fund.

15 Q. Okay.

16 MR. CAPONE: Chris, can we take a break?

17 MR. HARRIS: Sure. Let me finish this. I  
18 have this one attachment, then we'll be --

19 MR. CAPONE: Sure.

20 MR. HARRIS: Q. Why don't we look at  
21 Tab 59 or Exhibit 59, which is the balance sheet.  
22 Okay. The question I had was on -- in the middle of  
23 the page, there's a digital assets line item. Let  
24 me know if you see that.

25 A. I do.

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1 Q. Okay. So these are -- these figures are  
2 in millions if that helps you. And from looking at  
3 it, it looks like the amount of digital assets on  
4 FTX's balance sheet increased from about 38 million  
5 at the beginning of the year to 414 million by June  
6 2021. Do you see that?

7 A. Yes, but I'm confused because there are  
8 two things that say digital assets with different  
9 values --

10 Q. Yes, there are.

11 A. -- in adjacent rows.

12 Q. Well, do you know what the two different  
13 line items are?

14 A. I do not know.

15 Q. Okay. And do you know why there might be  
16 a negative amount for the first one?

17 A. Do not know.

18 Q. Okay. Do you have any -- from being at  
19 FTX, can you think of any reasons why the amount of  
20 digital assets that FTX owned would have increased  
21 in the first half of 2021?

22 MR. DUNNE: Objection.

23 THE WITNESS: Plenty of possible reasons.  
24 I'm not sure what -- what is reflected here.

25 MR. HARRIS: Q. Like what are the

Page 65

1 possible reasons you're thinking of?

2 A. Revenue.

3 Q. Okay. Might generate revenue in the form  
4 of digital assets?

5 A. Yes. If USDC and Stablecoins count as  
6 digital assets.

7 Q. Anything else comes to mind?

8 A. No.

9 MR. HARRIS: Okay. All right. Why don't  
10 we break.

11 VIDEOGRAPHER: This is the end of Media  
12 No. 1. We are off the record at 10:12 a.m.

13 (The deposition was in recess from 10:12  
14 to 10:30.)

15 VIDEOGRAPHER: This is the beginning of  
16 Media No. 2. We are back on the record at  
17 10:30 a.m.

18 MR. HARRIS: Q. Before we broke, we had  
19 been talking a little about clawbacks. I just want  
20 to make sure I understood one thing. There was  
21 nothing in the code that provided for clawbacks,  
22 right?

23 A. The code didn't implement clawbacks.

24 Q. So if FTX only decided it wanted to do a  
25 clawback, it would have to either create new code or



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1 do it manually; is that right?

2 A. Right.

3 Q. And so you're not aware of any rules that  
4 said how they would implement a code if they decided  
5 to do one?

6 MR. DUNNE: Objection.

7 THE WITNESS: I'm not aware of rules  
8 outside of the code.

9 MR. HARRIS: Q. And you're not aware of  
10 rules inside the code either about how to do a  
11 clawback, right?

12 A. Right -- or rather the code didn't  
13 implement it.

14 (EXHIBIT 60 WAS MARKED FOR  
15 IDENTIFICATION.)

16 MR. HARRIS: Q. Okay. You were handed a  
17 couple of new documents want to ask you about. The  
18 first one is marked Tab 60. This is another  
19 document provided by your counsel from this private  
20 FTX accounting chat group. And this was dated  
21 March 26, 2021. And this is one where you did  
22 comment on, if you look on the second page.

23 MR. DUNNE: May 26th I think you mean,  
24 Chris.

25 MR. HARRIS: Q. Yes, thanks. So if you

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1 see right before you comment, Mr. Bankman-Fried  
2 sends a message with sort of four paragraph number  
3 items in it. Do you see that?

4 A. Uh-huh.

5 Q. And then you respond, "Done with code  
6 reviews. Custody is next."

7 Do you see that?

8 A. Yes. It's not clear to me I'm responding  
9 to him. I do see my message.

10 Q. Okay. Do you remember this chat exchange  
11 at all?

12 A. Not particularly.

13 Q. Okay. What do you think you were  
14 referencing when you said done with code reviews?

15 A. I expect that related to revenue testing  
16 in which the code would be reviewed.

17 Q. I see. And then you said, "Custody is  
18 next." What do you think that was -- you were  
19 referring to?

20 A. Likely about reviewing the code that  
21 related to wallets with the same group.

22 Q. What does that mean the code that related  
23 to wallets?

24 A. There was code that mediated depositing  
25 and withdrawing and interacting with FTX's hot

Page 68

1 wallets.

2 Q. So depositing is when a customer has some  
3 assets outside of the exchange and then they deposit  
4 them onto the exchange?

5 A. Exactly.

6 Q. And what did you mean by hot wallets?

7 A. Hot wallets are the -- were the industry  
8 term for an omnibus wallet an exchange would have  
9 from which customers could withdraw, but that they  
10 did not directly deposit to.

11 Q. Okay. So you're talking about interacted  
12 with FTX's hot wallets that would be the transfer  
13 from the customer-specific wallet they deposited  
14 into and then those digital assets were then  
15 transferred to the FTX hot wallet. Is that what  
16 you're referring to?

17 A. Sorry. I lost the track of the question.

18 Q. Okay.

19 A. Do you mind restating it?

20 Q. I was trying to understand when you were  
21 talking about what you thought this custody is next  
22 is referring to. You said there was code that  
23 referred to the hot wallets.

24 A. Yes.

25 Q. So there was code that dealt with FTX's

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1 custody of customer assets; is that right?

2 A. Insofar as it related to hot wallets and  
3 deposit wallets, yes.

4 Q. Okay. And was this review of that code  
5 something you were doing on behalf of the auditors  
6 or at their request?

7 A. I don't know if it was at their request or  
8 at Jayesh or someone else's request internally.

9 Q. Do you recall why they were having you  
10 do -- someone was having you do this review of the  
11 code that related to FTX's custody of customer  
12 assets?

13 A. Nothing more specific than that. It was  
14 part of the technical audit.

15 Q. Part of the what?

16 A. The technical audit.

17 (EXHIBIT 61 WAS MARKED FOR  
18 IDENTIFICATION.)

19 MR. HARRIS: Q. If you can look at the  
20 next document, which is Tab 61. It's another  
21 exchange in this chat group. This one's from  
22 January 21st, 2022. Do you see that?

23 A. Yes.

24 Q. Okay. And it looks like it starts with  
25 Mr. Peswani directing a message to you and to

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MR. HARRIS: Okay. Why don't we do Tab 11.

(EXHIBIT 63 WAS MARKED FOR IDENTIFICATION.)

MR. HARRIS: And -- okay. You've been handed what's marked Exhibit 62, which is an email --

MR. DUNNE: 63, I think.

MR. HARRIS: Q. Oh, 63. Sorry. Thank you. 63. It's an email from OTC@FTX.com address, and this one's addressed to Kyle Davies at Three Arrows Capital.

A. Yes.

Q. And the subject is trade confirmation Three Arrows Capital.

A. Yeah.

Q. Is this an example of the kind of trade confirmation that customer could choose to have generated?

A. No, this is not an example of the ones I had in mind.

Q. Okay. Let's start with what you had in mind. What did you have in mind?

A. Ones issued by the HKG code repo related to the FTX trading platform as opposed to the FTX

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OTC portal.

Q. That's a term I haven't heard of. What is HKG code repo?

A. The GitHub repository under which most FTX exchange code lived was called HKG.

Q. Okay. And so it was possible for trade confirmations to be generated from that portal?

A. Right.

Q. Okay. Do you remember what they looked like when they were generated?

A. The website had a little pop-up in one of the corners that gave details about the trade. I don't remember if there were other things it did.

Q. Okay. Did it -- do you know if it ever generated like messages or emails or anything that reflected the trade confirmation besides a pop-up?

A. Not that I remember.

Q. Okay. Okay. Now, looking at this one, do you have an understanding what this Exhibit 63 is?

A. Yes.

Q. Okay. What is this?

A. This is a OTC trade notification given by a different platform.

Q. Okay. And what's that platform?

A. The OTC portal.

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Q. And how did the OTC portal differ from the trading platform?

A. Entirely different code. Predates FTX.

Q. Okay. Were you involved at all in the OTC platform?

A. Minorly.

Q. Okay. When -- if people made -- if customers made purchase on the OTC platform, was that also custodied at FTX in the hot wallets?

A. I don't remember the exact custody set up.

Q. Okay. Do you remember what -- going back to the HKG code portal and the confirmations that could be generated, do you remember what they said?

A. No, but the -- like with most things, the code is unambiguous on it. I just don't remember.

Q. Okay. I think you did have a role in designing the code for the user interface; is that right?

A. In many areas, yes.

Q. Okay. So I wanted to ask you some questions about what the user interface showed. This is an example of the ones where I don't have someone who was there at the time. So I'm going to ask you what you remember. Am I right that the user interface would show for the customer a separate

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balance for each kind of digital asset?

A. Yes, though customer needs some defining.

Q. What's ambiguous about customer?

A. There are a couple different things that a customer could mean.

Q. Okay.

A. Could mean the thing into which they log in, which owns many sub accounts. Could be any specific sub account and looking at it in particular. Could mean, though, maybe in rare cases a customer sort of configured way looking at properties of many accounts each of which have many sub accounts.

Q. Okay. You're saying a customer could refer to just the owner of a particular sub account?

A. Right. Could.

Q. Or it could refer to someone who has rights to a collection of accounts?

A. Right.

Q. Okay. So when a customer looks at a particular sub account, they can see the balance for a particular kind of digital asset; is that right?

A. Right.

Q. Okay. So they could view like a Bitcoin balance for that account, right?

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1 A. Right.  
 2 Q. And they could also view the -- like the  
 3 USD balance for that account?  
 4 A. Right.  
 5 Q. And any of those accounts could be  
 6 positive or negative; is that right?  
 7 A. Yes, subject to constraints in their own  
 8 relationships.  
 9 Q. Okay. And they could also view a net  
 10 account balance; is that right?  
 11 A. I believe that was shown both per sub  
 12 account and cross sub account under the same login  
 13 in places in the UI.  
 14 Q. And is it right that unless the allow  
 15 negative feature was enabled the accounts were all  
 16 supposed to have a positive net account balance?  
 17 A. I don't know what is supposed to, but I  
 18 can speak to what the code did or didn't allow.  
 19 Q. Okay. What did the code allow or not  
 20 allow on it?  
 21 A. The liquidation engine attempted to  
 22 prevent accounts from ever being negative.  
 23 Q. Okay. Am I right that at times, though,  
 24 accounts did go negative?  
 25 A. Yes.

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1 Q. Okay. So it wasn't that the code  
 2 prevented an account from ever being negative,  
 3 right?  
 4 MR. DUNNE: Objection.  
 5 THE WITNESS: Prevent is a little  
 6 ambiguous.  
 7 MR. HARRIS: Q. It was possible for a  
 8 code to be negative, right?  
 9 A. Possible --  
 10 MR. DUNNE: Objection.  
 11 THE WITNESS: -- for an account to be  
 12 negative, yes.  
 13 MR. HARRIS: I'm sorry. Possible for an  
 14 account to be negative. The code didn't -- let me  
 15 strike that.  
 16 (EXHIBIT 39 PREVIOUSLY MARKED FOR  
 17 IDENTIFICATION)  
 18 MR. HARRIS: Q. You've been handed what  
 19 was already marked Exhibit 39, and this was produced  
 20 to us by the FTX Recovery Trust as a stand-alone  
 21 document, but it appears to me as a -- some sort of  
 22 screenshot of the exchange platform, and I'll  
 23 represent to you the file name suggests it was taken  
 24 on June 14th, 2022.  
 25 Does this look to you like a screenshot

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1 from the user interface?  
 2 A. Yes.  
 3 Q. Okay. And you see there's a number of  
 4 tabs at the top?  
 5 A. Yes.  
 6 Q. Okay. And it looks to me like the one  
 7 selected here is collateral explainer, and what is  
 8 that?  
 9 A. I can speak to what it says, but I didn't  
 10 write this. I didn't write the code for this  
 11 particular frame.  
 12 Q. Okay. Have you ever interacted with the  
 13 code for this frame?  
 14 A. It's possible, but I don't remember.  
 15 Q. Okay. Do you recall what the collateral  
 16 explainer was?  
 17 MR. DUNNE: Objection.  
 18 THE WITNESS: Similarly, I can make sense  
 19 of it from what's here, but I don't independently  
 20 remember --  
 21 MR. HARRIS: Q. Okay.  
 22 A. -- what it was about.  
 23 Q. All right. Well, let me see if there's  
 24 anything in here that triggers a memory. See it  
 25 begins by saying, "The page provides an overview of

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1 how your open positions and balances contribute to  
 2 your collateral. For more details on how trading on  
 3 margin works, see the" -- then it says spot margin  
 4 training explainer in blue.  
 5 Do you see that?  
 6 A. Yes.  
 7 Q. Okay. Does that suggest that you could  
 8 click on that it would pull up that document, the  
 9 spot margin trading explainer?  
 10 MR. DUNNE: Objection.  
 11 THE WITNESS: I think so, but I'm not  
 12 sure.  
 13 MR. HARRIS: Q. Okay. Okay. Then let  
 14 me just ask you some questions about what's said in  
 15 here and see if you have an understanding of it. Do  
 16 you see the first kind of numerical item it lists is  
 17 total USD value positive spot balances equals  
 18 239.8 million.  
 19 Do you see that?  
 20 A. Yes.  
 21 Q. So what do you think that's referring to?  
 22 MR. DUNNE: Objection.  
 23 THE WITNESS: I can speculate.  
 24 MR. HARRIS: Q. Okay.  
 25 A. Yeah. Flagging this as speculation

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1 because I didn't write the code. This could be the  
2 mark-to-market sum of non-negative holdings in the  
3 sub account.

4 Q. Okay. Is the way the code worked that the  
5 collateral value only used the positive sums of  
6 assets?

7 A. Collateral value is ambiguously defined.

8 Q. Okay. Was there a term total collateral  
9 value in the code?

10 A. Not by that name.

11 Q. Is there a different name that was used  
12 for it?

13 A. The term collateral was used in the code  
14 and had a precise technical definition.

15 Q. So was -- did collateral only look at  
16 positive asset values?

17 A. No.

18 MR. DUNNE: Objection.

19 MR. HARRIS: Q. So it also included  
20 negative asset values?

21 A. Yes.

22 Q. Okay. All right. We'll get to that. Do  
23 you see under here it says collateral contributed by  
24 positive spot balances equals 199.6 million.

25 Do you see that?

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1 A. Yes.

2 Q. What did that -- what's your understanding  
3 of what that's talking about?

4 MR. DUNNE: Objection.

5 THE WITNESS: I can speculate.

6 MR. HARRIS: Q. Okay.

7 A. My speculation is that it's the sum of all  
8 the non-negative balances in the account, but not  
9 mark-to-market, instead including things like the  
10 collateral factor we spoke about earlier and some  
11 non-linearity factors.

12 Q. Why do you say the non-negative valuation  
13 balance?

14 A. Because it says positive spot balances.

15 Q. All right. Then it says total collateral  
16 used by outstanding futures positions equals 12.2  
17 million. Do you see that?

18 A. Yes.

19 Q. Okay. Do you have an understanding why a  
20 futures position would use collateral?

21 A. Yes.

22 Q. Okay. And how is that?

23 A. One way to think about a futures position  
24 is that it represents risk. It's a bet placed. A  
25 bet placed that can lose money should have

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1 corresponding collateral associated with it such  
2 that in the case of a loss there's something to  
3 cover it. So maintaining or opening such a bet  
4 requires collateral.

5 Q. Because a future has a -- owning a future  
6 it has some associated risk with it, right?

7 MR. DUNNE: Objection.

8 THE WITNESS: One way to think about it is  
9 that it is a risk.

10 MR. HARRIS: Q. Okay. Like a contingent  
11 liability?

12 MR. DUNNE: Objection.

13 THE WITNESS: Forgive me. I don't know  
14 the -- I'm not familiar with the terms.

15 MR. HARRIS: Q. Okay. So what is the  
16 risk that FTX is trying to address by requiring  
17 collateral for a future position?

18 A. The risk that the -- that the bet doesn't  
19 pan out for the user and that they lose money.

20 Q. And FTX wanted to have collateral to try  
21 and prevent FTX or other users having to absorb that  
22 lost --

23 MR. DUNNE: Objection.

24 MR. HARRIS: Q. -- money?

25 A. Right.

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1 Q. Then just to go back to the user  
2 interface, these -- you see these other tabs at the  
3 top?

4 A. Yes.

5 Q. If I clicked on balances, what would that  
6 pull up?

7 A. I believe it would pull up a table of  
8 balances for I believe sub account just to say  
9 holdings of currencies and coins.

10 Q. And would it pull up a balance for each  
11 different kind of currency or coin?

12 A. Yes. That the account had some  
13 non-negative holding of -- sorry -- non-zero holding  
14 of.

15 Q. Okay. And is there somewhere on this page  
16 where I could click to see my -- my net account  
17 value?

18 MR. DUNNE: Objection.

19 THE WITNESS: I'm not sure which page this  
20 pane we're looking at was located in.

21 MR. HARRIS: Q. Okay. If I wanted to  
22 see my U.S. dollar balance, would that be -- could I  
23 find that under the balances tab?

24 MR. DUNNE: Objection.

25 THE WITNESS: For the sub account for

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1 A. The version of allow negative that I  
2 originally wrote did not allow for the thing you're  
3 describing, but eventually it did.

4 Q. Okay. So at some point the allow negative  
5 feature allowed a customer to borrow another  
6 customer's assets outside of the margin program?

7 A. Yes.

8 Q. Okay.

9 A. Though I should clarify I don't know about  
10 the definition of borrow here. Be negative in  
11 assets I should say.

12 Q. Okay. But you don't know if that  
13 reflected borrowing other customer's assets as  
14 opposed to something else?

15 MR. DUNNE: Objection.

16 THE WITNESS: Like title, borrow is a  
17 really overloaded term.

18 THE REPORTER: (Clarification.)

19 MR. HARRIS: Q. Okay. We talked about  
20 some of the help desk articles that explained how  
21 the exchange worked. I've seen a spot margin  
22 trading explainer and a collateral management  
23 explainer. Are there any other help desk articles  
24 that you can think of that describe the margin  
25 program to customers?

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1 A. Not that I can think of. I expect there  
2 might have been many.

3 Q. Okay. Do you think you had any role in  
4 editing or helping with either of those two  
5 documents?

6 A. It's possible that one of those two  
7 documents reflected those parameters that I  
8 mentioned earlier that I might have edited directly.

9 Q. All right. I'm going to show them both to  
10 you. I just had a couple more questions before I  
11 do. Is it right that the code for the margin  
12 program changed in July 2022?

13 A. I'm not sure.

14 Q. Okay. Do you recall that there was some  
15 change to the code that was -- occurred in the  
16 months leading up to before the bankruptcy filing?

17 A. Over FTX's history there were maybe tens  
18 to thousands of updates to the code.

19 Q. Okay. Do you remember any change to the  
20 margin program being triggered by Three Arrows  
21 liquidation?

22 A. Not that I recall. It's possible.

23 MR. HARRIS: Okay. Why don't we do  
24 Tab 52, the collateral management.

25 (EXHIBIT 64 WAS MARKED FOR

Page 100

1 IDENTIFICATION.)

2 THE REPORTER: This is 64.

3 MR. HARRIS: Q. 64. Okay. You were  
4 handed Exhibit 64, which I understand to be -- I  
5 guess it's a printout from the help.FTX.com page you  
6 mentioned. It's called collateral management. Take  
7 a look and see if it looks familiar to you as one of  
8 the help desk pages.

9 A. It does look familiar.

10 Q. Do you think you had any role in reviewing  
11 or editing this explainer?

12 A. This table that shows on the first page  
13 looks like the one that I would have edited when,  
14 for instance, adding a new future.

15 Q. Okay. If you look at the third page, see  
16 that definitions and formulas. Did those formulas  
17 track what was in the code?

18 MR. DUNNE: Objection.

19 MR. HARRIS: Q. Or were they intended  
20 to?

21 A. I'm not sure. I didn't write it.

22 Q. Okay. If you look at the bottom of the  
23 fourth page, there's a -- there's a numbering system  
24 at the bottom also. Maybe that's easier. If you  
25 look at the --

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1 A. Ah.

2 Q. -- numbers that end -- the page that ends  
3 in 47. See that? Okay. All right. So you see  
4 there's a section heading bottom of that page says  
5 calculating total collateral value?

6 A. Yes.

7 Q. Okay. And then it says, "To start, let's  
8 first calculate the collateral weight of the assets  
9 you're currently holding."

10 Do you see that?

11 A. Yes.

12 Q. Okay. And then -- then has an example for  
13 BTC, and then it -- after a few lines it says, "That  
14 means the collateral value of BTC will equal," and  
15 it has a formula. Do you see that?

16 A. Yes.

17 Q. So this collateral value, that's different  
18 from the net account balance for an account, right?

19 A. Possibly.

20 Q. What are the times where it would be --  
21 where it would be different or would be the same?

22 A. I'm not sure what the definition of net  
23 account balance is.

24 Q. Okay. That's not a term you've heard  
25 before?

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1 A. I have. I just forget what it meant.  
 2 Q. Okay. So, I mean, earlier today we've  
 3 been talking about trying to ensure that a net  
 4 account balance doesn't go zero. So that's what I'm  
 5 talking about when I say net account balance.  
 6 A. Ah, in those conversations, when I was  
 7 referring to it then, I meant that -- I was speaking  
 8 like to a looser definition.  
 9 Q. Okay.  
 10 A. The precise way you might calculate it  
 11 could totally vary.  
 12 Q. Okay. So what does it -- so in terms of  
 13 the collateral value that's used in the code,  
 14 what -- is that different than the sum of the  
 15 positive and negative values for all of the  
 16 customers' assets.  
 17 A. Yes.  
 18 Q. And in what way is it different?  
 19 A. Among other things, one of those  
 20 definitions may not include things like collateral  
 21 weight or the non-linearity introduced by these IMF  
 22 weights.  
 23 Q. Okay. What other differences can there  
 24 be?  
 25 A. Collateral may only account for currencies

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1 that are collateral viable, and the other may  
 2 account for more, but the code makes this very  
 3 clear, and I'm going off of hazy memory here.  
 4 Q. Okay. If you look at the next section  
 5 here, so that same page ending in 48, there's a  
 6 section about calculating free collateral. Do you  
 7 see that? Okay. And it kind of starts by saying,  
 8 "Let's calculate free collateral to understand how  
 9 open positions and orders affect your collateral.  
 10 Assume you have the following positions and open  
 11 orders in your account," and then it lists several  
 12 different assets, right?  
 13 A. Some futures and some assets, yes.  
 14 Q. And those are the assets that are  
 15 allocated the customer in their account.  
 16 A. I'm reading this toy example for the first  
 17 time. That's my read of it, but I'm not sure what  
 18 the author meant.  
 19 Q. Just want to make sure I understand. You  
 20 said couple of times toy example. What does that  
 21 mean, toy?  
 22 A. Ah, not reflective of an exact account and  
 23 its state in reality, but one used for the purpose  
 24 of demonstration.  
 25 Q. Ah, okay. And why was it important in

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1 order to understand collateral position to look at  
 2 each individual asset?  
 3 MR. DUNNE: Objection.  
 4 THE WITNESS: I don't understand the  
 5 alternative.  
 6 MR. HARRIS: Q. Why was it important to  
 7 look at each individual asset instead of just the  
 8 net account balance?  
 9 A. The collateral is a reflection of a way to  
 10 calculate a net account balance. So it must derive  
 11 its definition from something smaller.  
 12 Q. So you couldn't determine collateral just  
 13 by looking at the net account balance?  
 14 MR. DUNNE: Objection.  
 15 THE WITNESS: Net account balance could be  
 16 defined in a few different ways. Collateral is one  
 17 way to think about a net account balance in the  
 18 colloquial sense. It must therefore be a function  
 19 of other things that comprise it.  
 20 MR. HARRIS: Q. Okay. Do you know if,  
 21 when calculating collateral value, does the code  
 22 include a negative U.S. dollar balance?  
 23 A. The -- the way that the code defined  
 24 collateral would have accounted for positive  
 25 balances in dollars or otherwise.

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1 Q. Would it have accounted for a negative  
 2 U.S. dollar balance?  
 3 A. Right.  
 4 Q. So -- and I want to distinguish between  
 5 the collateral value and the collateral used. Does  
 6 that distinction make sense?  
 7 A. Yes.  
 8 Q. Okay. So just focusing on the collateral  
 9 value, was a negative U.S. dollar balance included  
 10 in the collateral value?  
 11 MR. DUNNE: Objection.  
 12 THE WITNESS: Yes. To be clear, if a sub  
 13 account had different balances, including a negative  
 14 account balance, all of those would be considered in  
 15 determining their -- what the code called  
 16 collateral.  
 17 MR. HARRIS: Q. Okay. Then there's a  
 18 section at the bottom of the next page called  
 19 handling negative USD balances. Do you see that?  
 20 A. Yes.  
 21 Q. And do you understand what was meant by a  
 22 negative USD balance there?  
 23 A. Yes.  
 24 Q. Okay. Okay. So what's your understanding  
 25 of that?

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1 THE WITNESS: The account collateral value  
2 didn't account for futures positions directly, but  
3 trading could affect it by virtue of P&L.

4 MR. HARRIS: Q. Okay. Why is it the  
5 account collateral value didn't account for futures  
6 positions directly?

7 A. Collateral is what supports positions, not  
8 the positions themselves.

9 Q. So future can't serve as a form of  
10 collateral?

11 A. Right. A future is only risk.

12 Q. Okay. But spot assets can serve as a form  
13 of collateral?

14 A. Yes, can.

15 Q. Okay. And then looking at that same  
16 paragraph, it says, "Your accounts total collateral  
17 is a sum over all spot tokens of," and then it has a  
18 formula, I guess, or a description.

19 A. Sorry. Do you mind pointing me to where  
20 in the page this is?

21 Q. Yeah, it's sort of the bottom portion  
22 there's a -- there's a one and then a one and then a  
23 two and then a one. Do you see those?

24 A. Yes.

25 Q. Is that a accurate description of how the

Page 111

1 account's total collateral was calculated under the  
2 code?

3 A. Give me a moment. It's not inconsistent  
4 with my memory, but the code will be clear on this  
5 one way or the other.

6 Q. Okay. Do you recall if the code allowed  
7 futures to be lent out or borrowed?

8 A. Not that I remember.

9 MR. DUNNE: Objection.

10 THE REPORTER: (Clarification.)

11 THE WITNESS: Should clarify. Borrow  
12 paired with the term futures could mean a lot of  
13 things.

14 MR. HARRIS: Q. Okay. What are the  
15 possibilities of what it might mean?

16 A. I don't even know the full space of them.  
17 I could imagine somebody construing a trade to mean  
18 a borrow in the case of futures if you're going  
19 short or something. The exchange offered trade in  
20 futures except for through trading and unlike with  
21 spot balances you couldn't directly transfer  
22 positions.

23 Q. Okay. You couldn't transfer your futures  
24 position to another user?

25 A. Except through trading. That's my

Page 112

1 recollection.

2 Q. Okay. Do you -- if you look at the page  
3 under -- it's ended with 98 at the bottom. Section  
4 called -- well, if you go to 97 first -- sorry --  
5 the section called lending.

6 A. Yes.

7 Q. Okay. If you look at the third line down,  
8 there's a sentence that says, "Lenders bear no  
9 counterparty risk."

10 Do you see that?

11 A. Yes.

12 Q. Okay. Is there anything in the code in  
13 which if a margin loan was not repaid that the  
14 margin -- that would impose losses on margin  
15 lenders?

16 MR. DUNNE: Objection.

17 THE WITNESS: If the loan is unrepaid,  
18 it's charged interest and can only proximately pay  
19 lenders.

20 MR. HARRIS: Q. You said proximately  
21 pay.

22 A. Clawbacks are an alternative through which  
23 a lender could eventually lose money, but just by  
24 virtue of not repaying a loan in the moment there  
25 isn't something in the code that I remember that

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1 would then go and deduct any lender balances.

2 Q. Okay. And there was nothing in the code  
3 that allocated one particular user lender with a  
4 particular user borrower, right?

5 MR. DUNNE: Objection.

6 THE WITNESS: Not that I remember in the  
7 spot margin program.

8 MR. HARRIS: Q. I want to talk about the  
9 line of credit and how it's reflected in the code.  
10 I think that was -- that is an area where you did  
11 have some role in developing the code for line of  
12 credit, right?

13 A. Yes.

14 Q. Okay. What was your role?

15 A. It predated me, and I made it a feature  
16 that could apply to more accounts than just  
17 Alameda's. I believe I also wrote some code that  
18 would charge interest based off of line of credit  
19 usage and branding.

20 Q. Okay. So I think the two things you  
21 mentioned was first was that you made it a feature  
22 that could apply to more users than just Alameda?

23 A. Right.

24 Q. So before that happened, was a line of  
25 credit only available to Alameda?

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1 A. I only mean it in the most general sense  
2 that when thinking about how to price some asset you  
3 might refer to other prices.

4 Q. Okay. Is there anywhere in the code that  
5 shows the reference price for futures?

6 A. My memory is not that reference price  
7 itself as a term was used in the code base, but I  
8 could be wrong about that.

9 Q. Do you know, focusing on Three Arrows,  
10 what kinds of futures positions Three Arrows had on  
11 the FTX exchange in June 2020?

12 A. I don't remember.

13 Q. Okay. Or how many futures contracts Three  
14 Arrows had?

15 A. I don't remember.

16 Q. We talked a little bit about clawbacks and  
17 liquidations. Is it fair to say that FTX had  
18 implemented kind of extensive procedures designed to  
19 prevent losses?

20 MR. DUNNE: Objection.

21 THE WITNESS: It implemented some  
22 procedures designed to prevent losses.

23 MR. HARRIS: Q. Okay. Like what  
24 procedures do you have in mind?

25 A. The automated liquidation system comes to

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1 mind.

2 Q. Okay. And the general concept of margin  
3 requirements was also imposed to try and prevent  
4 losses from being -- from occurring; is that right?

5 MR. DUNNE: Objection.

6 THE WITNESS: Yes, although here prevent  
7 could take on two meanings, and it's true for one  
8 and not the other.

9 MR. HARRIS: Q. Okay. What are the two  
10 meanings you have in mind?

11 A. Doesn't make it an impossibility. It  
12 serves to make it less likely.

13 Q. So the margin requirement and the  
14 automatic liquidation were intended to make losses  
15 less likely; is that right?

16 A. That's my interpretation of why they were  
17 there.

18 Q. Okay. If the way the FTX platform  
19 operated was the customers didn't actually have any  
20 assets or liabilities but just had a net account  
21 balance, that was the only thing they had, would  
22 you -- would there still be a reason to have an  
23 automatic liquidation system?

24 MR. DUNNE: Objection.

25 THE WITNESS: It's hard for me to even

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1 imagine such a case. All you have are balances.  
2 What are you doing? Just giving people money?  
3 That's no trading.

4 MR. HARRIS: Q. That's not how you  
5 envision the system working?

6 A. Correct.

7 Q. Okay. And it's not how it appeared to  
8 operate from the code?

9 MR. DUNNE: Objection.

10 THE WITNESS: The code had more levels of  
11 detail than just total account balance.

12 MR. HARRIS: Q. Okay. All right. I'm  
13 going to ask questions that are just focused on  
14 Three Arrows now and see what involvement you  
15 remember or not.

16 A. Sure.

17 Q. So did you ever have direct interactions  
18 with anyone at Three Arrows like Kyle Davies or Su  
19 Zhu?

20 A. Not Kyle Davies or Su Zhu. I met one  
21 trader who worked at Three Arrows Capital at a house  
22 party in Chicago.

23 Q. Who is the trader?

24 A. I don't remember their name.

25 Q. Other than that one interaction, did you

Page 177

1 have any like professional interactions with anyone  
2 at Three Arrows?

3 A. Not that I remember.

4 Q. Who do you recall being the point person  
5 at FTX for the Three Arrows account?

6 A. I don't -- I don't know who was for Three  
7 Arrows in particular. There are various teams and  
8 personnel on those teams that generally spoke to  
9 trading firms that operated on FTX.

10 Q. Is there anyone you're thinking that you  
11 know did have interactions with Three Arrows?

12 A. Zane Tackett, I believe, did have  
13 interactions with Three Arrows.

14 Q. Anyone else you can think of?

15 A. There were other non-trading activities at  
16 Three Arrows and Alameda together, and for those  
17 there are other personnel that come to mind still  
18 that likely were in contact, but I don't know for  
19 sure.

20 Q. What were the non-trading activities you  
21 have in mind?

22 A. I believe that Three Arrows and Alameda or  
23 FTX co-invested in various crypto projects.

24 Q. What crypto projects are you thinking of?

25 A. There's only one which I remember a name,



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1 Q. This is one of those you have to say yes  
2 so she can --

3 A. I'm sorry. Yes, yes.

4 Q. Why did you describe forcibly removing the  
5 line of credit as the extreme thing?

6 A. It was among the extremes available. I  
7 didn't mean extreme in a subjective sense. I meant  
8 it along the scale of possible actions.

9 Q. Okay. Then Mr. Tackett -- first, he  
10 responds to Mr. Salame's comment call the block LOL,  
11 and he writes, "No. Start to pull excess collateral  
12 out."

13 Does that give you any more ideas on what  
14 Mr. Salame was referring to?

15 A. I think they're talking past each other  
16 here.

17 Q. Okay. And Mr. Tackett also, "They have  
18 some buffer before liquidation. We could just pull  
19 that much out."

20 Do you see that?

21 A. Yeah.

22 Q. What do you think that's referring to?

23 A. I think his proposal does not make sense.

24 Q. Why not?

25 A. He's proposing withdrawing lines from the

Page 211

1 line of credit on their account out. I don't  
2 understand what that achieves.

3 Q. Okay. He then further down writes, "Per  
4 the collateral explainer, they have 107 million  
5 available collateral initial in their account. We  
6 could pull out 20 million or 50 million."

7 Again, what do you think that's talking  
8 about?

9 A. I think he's not thinking clearly here.

10 Q. Okay. Mr. Salame says, "We should  
11 definitely make a collateral call of them and note  
12 we'll have to start doing something if they don't  
13 reply. I think that's bad to do that." You see  
14 that?

15 A. Yeah.

16 Q. Looks like he's saying it would be bad to  
17 pull out 20 or 50 million from their account?

18 MR. DUNNE: Objection.

19 THE WITNESS: It's a little ambiguous.  
20 I'm not sure. That's my read, though.

21 MR. HARRIS: Q. Okay. And then he says,  
22 "Without warning. Comments documented reason."

23 Do you think he's referring to reducing  
24 the line of credit by that amount or selling assets  
25 by that amount?

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1 MR. DUNNE: Objection.

2 THE WITNESS: I'm not sure.

3 MR. HARRIS: Q. Okay. So is there a  
4 different chat message where you recall being  
5 instructed to do the manual liquidation?

6 A. Yes.

7 Q. Okay. Is that something you've seen  
8 recently?

9 A. No.

10 Q. You remember it, but it's not something  
11 you've seen -- something you've seen since the  
12 bankruptcy happened?

13 A. No, not that I remember.

14 Q. Okay. Do you recall what system it was  
15 on?

16 A. I today have an understanding of what  
17 types of chat it would have made sense to have  
18 happened in.

19 Q. Okay.

20 A. But I don't know for certain which one it  
21 was.

22 Q. All right. Well, let's start with that.

23 What is -- what's your understanding of what types  
24 of chats it would have made sense to have happened  
25 in?

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1 A. Signal chats that included Alameda traders  
2 and Sam and possibly lawyers and possibly Zane or  
3 Ryan.

4 Q. And why do you say Alameda traders?

5 A. Because the trades I performed, the  
6 counterparty of them would have been Alameda. It  
7 would have been important to tell them ahead of time  
8 about positions they were about to take on that  
9 would have been unexplained to their systems without  
10 that.

11 Q. Okay. Do you recall why Alameda was the  
12 counterparty?

13 A. De facto counterparty of choice,  
14 especially when giving bad prices to the  
15 counterparty.

16 Q. What do you mean by that, de facto  
17 counterparty of choice?

18 A. That I believe at this point in time even  
19 the liquidation engine for spot margin treated them  
20 as either the only or primary backstop of 30  
21 provider. All methods, except for selling to the  
22 crypto assets directly on market -- of the ones  
23 available, Alameda was the -- by practice, the  
24 common choice for a counterparty.

25 Q. Okay. So when there were losses that

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1 Q. And that was -- that's a true statement,  
2 correct?

3 A. Remains true.

4 Q. Yeah. And you wrote in the next  
5 paragraph, "And this was not just self delusion. I  
6 know that I acted in ways that were ultimately  
7 criminal. Putting myself ahead of customers and  
8 using their money when they thought it was safe.  
9 Helping Sam falsely claim FTX was more profitable  
10 than it was. Choosing to look away so I didn't have  
11 to face the increasingly obvious truth, that I was  
12 letting others use my name for their own interests.  
13 I strayed so far from what I believe in. There is  
14 no excuse. I will forever regret what I've done."

15 Do you see that?

16 A. Yes.

17 Q. I read that correctly, did I not?

18 A. You did.

19 Q. And that's -- that remains true, correct?

20 A. Yes.

21 MR. DUNNE: Okay. Thank you, Mr. Singh.  
22 You may set that aside. I have no other questions,  
23 but we will designate this confidential.

24 FURTHER EXAMINATION BY MR. HARRIS

25 MR. HARRIS: Q. I just had a couple

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1 follow-ups. Just first on this document you were  
2 just shown Exhibit 77, this last paragraph you were  
3 just asked about, you were asked about this phrase  
4 in your letter putting myself ahead of customers,  
5 using their money when they thought it was safe.

6 A. Yes.

7 Q. By their money, you meant the  
8 cryptocurrency and their VI currency; is that right?

9 A. Right.

10 Q. And by using it, what were you referring  
11 to?

12 A. That after I learned of a short fall in  
13 customer funds in September 2022, I continued to  
14 green light or directly make expenditures using  
15 liquid funds, which necessarily deepened the hole in  
16 liquid versus illiquid funds.

17 Q. What did you mean when you said I guess  
18 the customers thought their money was safe?

19 A. It was my subjective and general  
20 understanding that customers didn't believe that  
21 there was a shortfall in customer funds.

22 MR. HARRIS: Q. Okay. So they thought  
23 their money that they had placed on the exchange was  
24 safe?

25 A. By that definition of safe.

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1 Q. Okay. And just to be clear, do you  
2 believe you testified truthfully today, to the best  
3 of your abilities?

4 A. Yes.

5 MR. HARRIS: Okay. All right. Thank you.

6 MR. DUNNE: All right. Go off the record.  
7 No further questions for me.

8 VIDEOGRAPHER: This concludes today's  
9 testimony given by Nishad Singh. We are off the  
10 record at 3:45 p.m.

11 THE REPORTER: Could you give me your  
12 orders, please?

13 MR. HARRIS: A rush and a rough.

14 THE REPORTER: Rush to what day?

15 MR. HARRIS: Two-day, I think we have  
16 standing order.

17 MR. DUNNE: And I would say the same  
18 thing, Mr. Harris.

19 MR. CAPONE: We don't need a rush.

20 THE REPORTER: Just a regular copy?

21 MR. CAPONE: Yeah.

22 (The deposition was concluded at 3:45  
23 p.m.)  
24

25 NISHAD SINGH

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## 1 CERTIFICATE

2 I, the undersigned, a Certified Shorthand  
3 Reporter, State of California, hereby certify that  
4 the witness in the foregoing deposition was by me  
5 first duly sworn to testify to the truth, the whole  
6 truth, and nothing but the truth in the  
7 within-entitled cause; that said deposition was  
8 taken at the time and place therein stated; that the  
9 testimony of the said witness was reported by me, a  
10 disinterested person, and was thereafter transcribed  
11 under my direction into typewriting; that the  
12 foregoing is a full, complete, and true record of  
13 said testimony; and that the witness did not request  
14 an opportunity to read it and, if necessary, correct  
15 said deposition and to subscribe the same.  
16

17 I further certify that I am not of counsel  
18 or attorney for either or any of the parties in the  
19 foregoing deposition and caption named, nor in any  
20 way interested in the outcome of the cause named in  
21 said caption.

22 Executed this 30th day of October, 2025.

23 LAURA AXELSEN, C.S.R. 6173  
24  
25

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## ERRATA SHEET FOR THE TRANSCRIPT OF:

Case Name: Ftx Trading Ltd

Dep. Date: 10/28/25

Deponent: Nishad Singh

Pg. Ln. Now reads Should read Reason

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SIGNATURE OF DEPONENT

SUBSCRIBED AND SWORN BEFORE ME

THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2025

(Notary Public)

MY COMMISSION EXPIRES: \_\_\_\_\_

## **Exhibit 14**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

FTX TRADING LTD., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 22-11068 (KBO)

(Jointly Administered)

**THE FTX RECOVERY TRUST’S RESPONSES AND OBJECTIONS TO THE JOINT  
LIQUIDATORS OF THREE ARROWS CAPITAL, LTD.’S (I) EIGHTH SET OF  
REQUESTS FOR THE PRODUCTION OF DOCUMENTS; (II) SEVENTH SET OF  
INTERROGATORIES AND (III) THIRD SET OF REQUESTS FOR ADMISSION**

Pursuant to Rules 26, 30, 33 and 34 of the Federal Rules of Civil Procedure (the “Federal Rules”), made applicable to these chapter 11 proceedings by Rules 7026, 7030, 7033, 7034, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Local Rules of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), and any other applicable law, rules, or orders of the Court (collectively, the “Applicable Rules”), the FTX Recovery Trust, by its undersigned attorneys, hereby submits these responses and objections (the “Responses”) to *The Joint Liquidators of Three Arrows Capital, Ltd.’s (I) Eighth Set of Requests for the Production of Documents* (the “Document Requests”); *(II) Seventh Set of Interrogatories* (the “Interrogatories”); and *(III) Third Set of Requests for Admission Directed to the FTX Recovery Trust* (the “Requests for Admission,” and together with the Document Requests and Interrogatories, the “Requests”) dated August 19, 2025 and served by Russell Crumpler and Christopher Farmer, in their capacities as the joint liquidators (the “Joint Liquidators”) of Three

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<sup>1</sup> The last four digits of FTX Trading Ltd.’s and Alameda Research LLC’s tax identification number are 3288 and 4063 respectively. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ claims and noticing agent at <https://cases.ra.kroll.com/FTX>.

Arrows Capital, Ltd. (“3AC”), in connection with the *Objection of the FTX Recovery Trust to the Amended Proof of Claim Filed by the Joint Liquidators of Three Arrows Capital Ltd.* [D.I. 30932] (the “Claim Objection”).<sup>2</sup>

### **GENERAL OBJECTIONS**

1. The general objections set forth below (the “General Objections”) apply to the Requests generally and to each definition in the Requests (the “Definitions”), each instruction in the Requests (the “Instructions”), and each Request, and unless otherwise stated, shall have the same force and effect as if fully set forth in response to each Definition, Instruction, and Request. Any objection to a Definition or Instruction shall also apply to any other Definition, Instruction, or Request that incorporates that Definition or Instruction. No response to any specific Request is, or shall be deemed to be, a waiver of the General Objections or the specific objections set forth below. The fact that an objection is not listed herein does not, and shall not, constitute a waiver of that objection or otherwise preclude the FTX Recovery Trust from raising that objection at a later time.

2. The FTX Recovery Trust objects to the Requests and accompanying Definitions and Instructions to the extent that they are vague and ambiguous, overly broad, unduly burdensome, lacking in particularity, unreasonable, or seek information that is neither relevant to nor proportional to the needs of the Claim Objection or any party’s claim or defense in connection with the Claim Objection. The FTX Recovery Trust will construe the Requests and accompanying Definitions and Instructions in accordance with the FTX Recovery Trust’s obligations under the Applicable Rules.

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<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Claim Objection.

3. The FTX Recovery Trust objects to the Requests as untimely, unduly burdensome, unreasonable, and not proportional to the needs of the Claim Objection or any party's claim or defense in connection with the Claim Objection because the Requests were served over five months after the Court permitted the Joint Liquidators to file the Amended Claim, nearly two months after the Claim Objection, and with less than one week before the deadline for the completion of document productions in under the *Order Approving Stipulation Governing Litigation of the FTX Recovery Trust's Objection to Amended Proof of Claim Filed by the Joint Liquidators of Three Arrows Capital, Ltd.* [D.I. 31880].

4. The FTX Recovery Trust objects to the Requests as overly broad, unduly burdensome, lacking in particularity, unreasonable, or seeking information that is neither relevant to nor proportional to the needs of the Claim Objection or any party's claim or defense in connection with the Claim Objection to the extent that they purport the FTX Recovery Trust to undertake any additional search or review of documents beyond the search and review already performed by the FTX Recovery Trust in connection with seven prior sets of document requests; six prior sets of interrogatories; and two prior sets of requests for admission.

5. The FTX Recovery Trust objects to the Requests and accompanying Definitions and Instructions to the extent that they purport to impose on the FTX Recovery Trust any burden or obligation that is broader than, or inconsistent with, the permissible scope of discovery under the Applicable Rules, particularly given that the Requests were served merely six days prior to the agreed deadline for the completion of document production. The FTX Recovery Trust will construe the Requests and accompanying Definitions and Instructions in accordance with the FTX Recovery Trust's obligations under the Applicable Rules.

6. The FTX Recovery Trust objects to the Requests insofar as they purport to impose a response deadline of September 2, 2025 without any basis in the Applicable Rules.

7. The FTX Recovery Trust objects to the Requests and accompanying Definitions and Instructions to the extent that they seek information that is protected from disclosure by any applicable privilege, immunity, or protection, including the attorney-client privilege, work product doctrine, joint-defense privilege, or the common-interest privilege, or that is otherwise protected from disclosure under the Applicable Rules. Nothing contained in these Responses is intended to be, nor shall in any way be, construed as a waiver of any such privilege, immunity, or protection. Specific Objections on the grounds of privilege, if any, are provided for clarity only, and the absence of a Specific Objection is neither intended to be, nor should be interpreted as, evidence that the FTX Recovery Trust does not object to a Request on the basis of an applicable privilege, immunity, or protection.

8. The FTX Recovery Trust objects to the Requests and accompanying Definitions and Instructions to the extent that they seek production of information that is a matter of public record and/or information that is equally available to the Joint Liquidators, or otherwise more appropriately directed to another party or person.

9. The FTX Recovery Trust objects to the Requests and accompanying Definitions and Instructions to the extent that they seek documents or information outside of the FTX Recovery Trust's possession, custody, or control.

10. The FTX Recovery Trust objects to the Requests and accompanying Definitions and Instructions to the extent that they seek the production of information that is confidential, proprietary, commercially sensitive, or contains customer or personal information relating to the FTX Recovery Trust, the Debtors, their affiliates, and their current or former officers, directors,



employees and/or advisors, clients, customers, or counterparties. The FTX Recovery Trust's production of any documents in response to the Requests shall be subject to the terms of the *Confidentiality Agreement and Stipulated Protective Order* [D.I. 832].

11. The FTX Recovery Trust objects to the Requests and accompanying Definitions and Instructions to the extent that they purport to require the FTX Recovery Trust to conduct anything beyond a reasonable search of readily accessible sources where responsive documents or information, including electronically stored information, are reasonably expected to be found.

12. The FTX Recovery Trust objects to the Requests and accompanying Definitions and Instructions to the extent that they purport to require the FTX Recovery Trust to draw legal or factual conclusions, or are predicated on legal or factual conclusions or arguments. No response to any specific Request is, or shall be construed as, a legal or factual conclusion concerning any of the terms used in the Request.

13. The FTX Recovery Trust objects to the Requests and accompanying Definitions and Instructions to the extent that they assume the existence of facts that do not exist or the occurrence of events that did not take place. No response to any specific Request is, or shall be construed as, an admission that any factual predicate stated in the Request is accurate.

14. No incidental or implied admissions are intended by the objections herein, nor shall the fact that the FTX Recovery Trust has objected or responded, or not objected or responded, to a particular Request be construed as an admission or indication that the FTX Recovery Trust possesses documents responsive to such Request, or any other Request. Similarly, a statement that the FTX Recovery Trust will produce documents in a response to a Request does not constitute a representation that responsive documents exist, but only that responsive documents will be

produced if they exist, can be located through a reasonable search, and are not otherwise protected from disclosure.

15. The FTX Recovery Trust reserves all objections that may be available to it at any hearing or trial or on any motion to the use or admissibility of any material produced.

16. These Responses are based solely on facts reasonably known to the FTX Recovery Trust at the time of responding to the Responses. The FTX Recovery Trust reserves the right, but do not assume the obligation, to amend, supplement, or otherwise modify the content of these Responses at any time.

### **OBJECTIONS TO DEFINITIONS**

17. The FTX Recovery Trust objects to each of the Definitions, and to any Definition, Instruction, or Request that incorporates the Definition, to the extent that the Definition purports to define terms other than in accordance with the meanings typically ascribed to those terms in ordinary usage or pursuant to the Applicable Rules.

18. The FTX Recovery Trust objects to the Definitions of “Account Balance” and “Negative U.S. Dollar Balance,” and to any Definition, Instruction, or Request that incorporates one of those Definitions, as vague and ambiguous because the cited deposition testimony fails to provide adequate clarity as to the intended meanings of these terms. The FTX Recovery Trust will construe “Account Balance” and “Negative U.S. Dollar Balance” in accordance with the meanings of “Account Balance” and “negative USD Balance,” respectively, as used in the Coverick Declaration.

19. The FTX Recovery Trust objects to the Definition of “Assets,” and to any Definition, Instruction, or Request that incorporates that Definition, as factually inaccurate, misleading, and improper to the extent that it includes all “derivative product” including “futures

and perpetuals products.” The FTX Recovery Trust will construe “Assets” in accordance with the definition in the FTX Terms of Service dated May 13, 2022.

20. The FTX Recovery Trust objects to the Definitions of “Communication,” “Document,” and “relating to,” and to any Definition, Instruction, or Request that incorporates one of those Definitions, to the extent that they purport to impose burdens or obligations on the FTX Recovery Trust that are broader than, inconsistent with, or not authorized by the Applicable Rules.

21. The FTX Recovery Trust objects to the Definition of “Debtors,” “FTX,” “You” or “Your,” and to any Definition, Instruction, or Request that incorporates that Definition, as overly broad, vague, and unduly burdensome to the extent that it includes “any agents, representatives, employees, attorneys, accountants, investigators, consultants, and any other person or entity acting Your behalf.” The FTX Recovery Trust further objects to this Definition, and to any Definition, Instruction, or Request that incorporates that Definition, to the extent that it encompasses third parties and/or information that is not in the FTX Recovery Trust’s possession, custody or control, as well as to the extent that the Definition purports to seek information that is protected from disclosure by any applicable privilege, immunity, or protection, including the attorney-client privilege, work product doctrine, joint-defense privilege, or the common-interest privilege. The FTX Recovery Trust further objects to this definition to the extent it equates “FTX,” which the FTX Recovery Trust considers to refer to FTX Trading Ltd., with all Debtors. The FTX Recovery Trust will construe “FTX” as FTX Trading Ltd.

22. The FTX Recovery Trust objects to the Definition of “3AC” and to any Definition, Instruction, or Request that incorporates that Definition, as overly broad, vague, and unduly burdensome to the extent that the Definition includes “any affiliates, agents, representatives, employees, attorneys, accountants, investigators, consultants, and any other person or entity acting

on its behalf, including without limitation Three Arrows Capital Pte. Ltd., incorporated as a business under the laws of Singapore in 2012, Three AC Ltd., Kyle Davies, and Su Zhu.” The FTX Recovery Trust further objects to this Definition, and to any Definition, Instruction, or Request that incorporates that Definition, to the extent that it encompasses third parties and/or information that is not in the FTX Recovery Trust’s possession, custody or control, as well as to the extent that the Definition purports to seek information that is protected from disclosure by any applicable privilege, immunity, or protection, including the attorney-client privilege, work product doctrine, joint-defense privilege, or the common-interest privilege.

23. The FTX Recovery Trust objects to the Definition of “Person,” and to any Definition, Instruction, or Request that incorporates that Definition, as overly broad, vague, and unduly burdensome to the extent that the Definition includes “any business or governmental entities, or associations, partnerships, firms, corporations, units, joint ventures, any other form of business organization or arrangement, or any other form of public, private, or legal entity.” The FTX Recovery Trust further objects to this Definition, and to any Definition, Instruction, or Request that incorporates that Definition, to the extent that it encompasses third parties and/or information that is not in the FTX Recovery Trust’s possession, custody or control, as well as to the extent that the Definition purports to seek information that is protected from disclosure by any applicable privilege, immunity, or protection, including the attorney-client privilege, work product doctrine, joint-defense privilege, or the common-interest privilege.

### **OBJECTIONS TO INSTRUCTIONS**

24. The FTX Recovery Trust objects to the following instructions to the Requests. The failure to object to any of the Instructions shall not be deemed a waiver of any objections, nor a concession that any of such instructions are appropriate.

25. The FTX Recovery Trust objects to the Instructions to the extent that they seek to impose requirements on the FTX Recovery Trust that are unreasonable, unduly burdensome, non-customary or greater than those imposed by the Applicable Rules.

26. The FTX Recovery Trust objects to Instruction Nos. 1, 4, 12-13, 16, and to each specific Request incorporating any such Instruction as overly broad and unduly burdensome. The FTX Recovery Trust further objects to these Instructions, and to each specific Request incorporating any such Instructions, to the extent that they purport to impose burdens or obligations on the FTX Recovery Trust that are broader than, inconsistent with, or not authorized by the Applicable Rules.

27. The FTX Recovery Trust further objects to Instruction Nos. 4 and 5 and to each specific Request incorporating any such Instructions, as vague and ambiguous, in particular its inclusion of “constructive possession,” “superior right or practical ability,” and “deletion, or redaction.”

### **SPECIFIC RESPONSES AND OBJECTIONS TO DOCUMENT REQUESTS**

Subject to and without waiving the foregoing General Objections, Objections to Definitions, and Objections to Instructions, which are hereby expressly incorporated into each of the following specific objections and responses as if fully set forth therein, the FTX Recovery Trust responds to the Document Requests as follows:

#### **DOCUMENT REQUEST NO. 1**

Documents sufficient to show that “[d]ue to 3AC’s account having an LOC, it may have been manually liquidated,” as stated in FTX\_3AC\_000013874 at FTX\_3AC\_000013911, and sufficient to confirm whether (and if so which of) 3AC’s Accounts were at any point “manually liquidated.”

**RESPONSE TO DOCUMENT REQUEST NO. 1**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection. The FTX Recovery Trust further objects to this Document Request to the extent that it seeks the production of information or documents that are protected by the attorney-client privilege or the work-product doctrine, or that are otherwise protected from disclosure. The FTX Recovery Trust further objects to this Document Request to the extent that it is duplicative of Document Request No. 13 in the *Joint Liquidator's Seventh Set of Request for Production*, to which the FTX Recovery Trust has already provided responses and objections and produced documents.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has already produced documents that are responsive to this Document Request, including FTX\_3AC\_000044526. Column J of FTX\_3AC\_000044526 provides the fill\_type for each transaction comprising the liquidation of certain assets associated with the 3AC Accounts for the info@alameda-research.com account (which was the counterparty to 3AC to the included transactions). Certain of the included transactions are listed as having a fill-type of “otc” while others are listed as having a fill\_type of “liquidation.” The FTX Recovery Trust understands that a fill\_type of “otc” for the info@alameda-research.com account denotes a manual liquidation by FTX and that those transactions with a fill\_type of “liquidation” were auto-liquidated by FTX.

**DOCUMENT REQUEST NO. 2**

Documents sufficient to show that “[t]he Margin Program used an algorithm to connect the pools of borrowers and lenders,” as contended by Coverick Declaration ¶ 15.

**RESPONSE TO DOCUMENT REQUEST NO. 2**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection. The FTX Recovery Trust further objects to this Document Request to the extent that it is duplicative of Document Request No. 19 in the *Joint Liquidator's Seventh Set of Request for Production*, to which the FTX Recovery Trust has already provided responses and objections and produced documents.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has produced documents that are responsive to this Document Request, including FTX\_3AC\_000045694.

The FTX Recovery Trust has also reviewed the code base for the Exchange, which is consistent with the description of how the Margin Program connected pools of borrowers and lenders as described in FTX\_3AC\_000045694. Production of the code base for the Exchange would be overbroad and unduly burdensome, not proportional to the needs of the Claim Objection, and likely not intelligible to the Joint Liquidators.

**DOCUMENT REQUEST NO. 3**

The “algorithm” referenced in Coverick Declaration ¶ 15.

**RESPONSE TO DOCUMENT REQUEST NO. 3**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to

nor proportional to the needs of the Claim Objection. The FTX Recovery Trust further objects to this Document Request to the extent that it is duplicative of Document Request No. 19 in the *Joint Liquidator's Seventh Set of Request for Production*, to which the FTX Recovery Trust has already provided responses and objections and produced documents.

Subject to and without waiver of its Objections, the FTX Recovery Trust respectfully refers the Joint Liquidators to the FTX Recovery Trust's response to Document Request No. 2.

#### **DOCUMENT REQUEST NO. 4**

Documents sufficient to show whether FTX operated as a borrower or lender under FTX's Margin Program or Lending Program, including without limitation any FTX policies, procedures, agreements, or terms confirming the same.

#### **RESPONSE TO DOCUMENT REQUEST NO. 4**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection. The FTX Recovery Trust also objects to this Document Request because it assumes the existence of facts or documents that do not exist or the occurrence of events that did not take place.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has already produced documents that are responsive to this Document Request, including FTX\_3AC\_000044524. Because FTX did not operate "as a borrower or lender under FTX's Margin Program or Lending Program," the FTX Recovery Trust is not aware of "any FTX policies, procedures, agreements, or terms confirming the same."



**DOCUMENT REQUEST NO. 5**

Documents sufficient to show any financial damages or losses incurred by FTX or any Customers as a result of the non-repayment of Assets borrowed by other Customers under FTX's Margin Program or Lending Program or of the default of such other Customers of their repayment obligations under such Programs.

**RESPONSE TO DOCUMENT REQUEST NO. 5**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection. The FTX Recovery Trust also objects to this Document Request because it assumes the existence of facts or documents that do not exist or the occurrence of events that did not take place. The FTX Recovery Trust further objects to this Document Request to the extent that it seeks the production of information or documents that are protected by the attorney-client privilege or the work-product doctrine, or that are otherwise protected from disclosure. The FTX Recovery Trust further objects to this Document Request to the extent that it is duplicative of Document Request Nos. 23 and 27 in the *Joint Liquidator's Seventh Set of Request for Production*, to which the FTX Recovery Trust has already provided responses and objections and produced documents.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has not identified additional non-privileged documents responsive to this Document Request.

**DOCUMENT REQUEST NO. 6**

Documents sufficient to show whether, the extent to which, and the manner in which, FTX allocated (or would allocate) to Customers participating in FTX's Margin Program or Lending Program the financial damages or losses identified in the preceding Document Request.

**RESPONSE TO DOCUMENT REQUEST NO. 6**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection. The FTX Recovery Trust also objects to this Document Request because it assumes the existence of facts or documents that do not exist or the occurrence of events that did not take place. The FTX Recovery Trust further objects to this Document Request to the extent that it seeks the production of information or documents that are protected by the attorney-client privilege or the work-product doctrine, or that are otherwise protected from disclosure. The FTX Recovery Trust further objects to this Document Request to the extent that it is duplicative of Document Request Nos. 23 and 27 in the *Joint Liquidator's Seventh Set of Request for Production*, to which the FTX Recovery Trust has already provided responses and objections and produced documents.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has not identified additional non-privileged documents responsive to this Document Request.

**DOCUMENT REQUEST NO. 7**

Documents sufficient to show whether Customers who, under FTX's Margin Program or Lending Program, loaned Assets that were in or allocated to such Customers' accounts on the FTX Exchange could, and did, withdraw, sell, or trade such Assets prior to repayment of such loans.

**RESPONSE TO DOCUMENT REQUEST NO. 7**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly

burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection. The FTX Recovery Trust further objects to this Document Request to the extent that it seeks the production of information or documents that are protected by the attorney-client privilege or the work-product doctrine, or that are otherwise protected from disclosure.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has already produced documents that are responsive to this Document Request, including FTX\_3AC\_000013695 and FTX\_3AC\_000045694.

The FTX Recovery Trust has also reviewed the code base for the Exchange, which is consistent with FTX's treatment of loaned assets under the Margin Program or Lending Program as described in FTX\_3AC\_000013695 and FTX\_3AC\_000045694. Production of the code base for the Exchange would be overbroad and unduly burdensome, not proportional to the needs of the Claim Objection, and likely not intelligible to the Joint Liquidators.

#### **DOCUMENT REQUEST NO. 8**

Documents sufficient to show any “losses from [Customer] accounts” due to “a user account where the . . . assets could no longer repay the liabilities,” that FTX “cover[ed]” via its “risk management system,” as Sam Bankman-Fried testified during his October 27, 2023 trial examination in the action titled *United States v. Samuel Bankman-Fried*, No. 22-cr-673 (S.D.N.Y.) (at page 2369 of the transcript thereof).

#### **RESPONSE TO DOCUMENT REQUEST NO. 8**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection. The FTX Recovery Trust also objects to this Document Request because it assumes the existence of facts or documents that do not exist or the

occurrence of events that did not take place. The FTX Recovery Trust further objects to this Document Request to the extent that it seeks the production of information or documents that are protected by the attorney-client privilege or the work-product doctrine, or that are otherwise protected from disclosure. The FTX Recovery Trust further objects to this Document Request to the extent that it is duplicative of Document Request Nos. 15 and 26 in the *Joint Liquidator's Seventh Set of Request for Production*, to which the FTX Recovery Trust has already provided responses and objections and produced documents.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has not identified additional non-privileged documents responsive to this Document Request.

#### **DOCUMENT REQUEST NO. 9**

Documents sufficient to show the amount, nature, and circumstances of each “loss[]” identified in the preceding Document Request, which Person suffered such “loss[],” and FTX’s “cover[age]” of such “loss[].”

#### **RESPONSE TO DOCUMENT REQUEST NO. 9**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection. The FTX Recovery Trust also objects to this Document Request because it assumes the existence of facts or documents that do not exist or the occurrence of events that did not take place. The FTX Recovery Trust further objects to this Document Request to the extent that it seeks the production of information or documents that are protected by the attorney-client privilege or the work-product doctrine, or that are otherwise protected from disclosure. The FTX Recovery Trust further objects to this Document Request to the extent that it is duplicative of Document Request Nos. 15 and 26 in the *Joint Liquidator's*

*Seventh Set of Request for Production*, to which the FTX Recovery Trust has already provided responses and objections and produced documents.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has not identified additional non-privileged documents responsive to this Document Request.

**DOCUMENT REQUEST NO. 10**

Documents sufficient to show that “[p]erpetual futures contracts on the Exchange settled at least every 30 seconds, and then automatically reset,” that “[e]very 30 seconds, the parties to the contract received a credit or a debit to their USD Balance in their Customer Accounts, depending on whether the reference price had gone up or down since the most recent settlement (*i.e.*, 30 seconds prior),” and that “the negative USD Balance in the 3AC Accounts increased because 3AC continued to make settlement payments in USD every 30 seconds under its long perpetual futures contracts,” as contended by Coverick Declaration ¶¶ 29, 63.

**RESPONSE TO DOCUMENT REQUEST NO. 10**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection. The FTX Recovery Trust further objects to this Document Request to the extent that it is duplicative of Document Request No. 6 in the *Joint Liquidator’s Seventh Set of Request for Production*, to which the FTX Recovery Trust has already provided responses and objections and produced documents.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has produced responsive, nonprivileged documents that are responsive to this Document Request, including FTX\_3AC\_000045026 and FTX\_3AC\_000045594.

The FTX Recovery Trust has also reviewed the code base for the Exchange, which is consistent with the elements of Mr. Coverick’s declaration cited in Document Request No. 10.

Production of the code base for the Exchange would be overbroad and unduly burdensome, not proportional to the needs of the Claim Objection, and likely not intelligible to the Joint Liquidators.

**DOCUMENT REQUEST NO. 11**

All Documents relating to the contentions in Claim Objection ¶¶ 162, 211 that “FTX was not a recipient of either the proceeds of the Liquidation or the assets liquidated [on June 14, 2022]” and that “FTX did not receive the proceeds of any sales by 3AC . . . between June 12 and June 14, 2022.”

**RESPONSE TO DOCUMENT REQUEST NO. 11**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has already produced responsive, nonprivileged documents that are responsive to this Document Request, including FTX\_3AC\_000044526. As represented in FTX\_3AC\_000044526, the 3AC Accounts received a credit for all of the U.S. Dollar “proceeds” of the Liquidation; Alameda Research LLC received for value entitlements to the digital assets which were the subject of the Liquidation.

**DOCUMENT REQUEST NO. 12**

Documents sufficient to show all Persons who received the “proceeds” identified in the preceding Document Request, the date(s) each such Person received such “proceeds,” and the amount of such “proceeds” that each such Person received.

**RESPONSE TO DOCUMENT REQUEST NO. 12**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above.

Subject to and without waiver of its Objections, the FTX Recovery Trust respectfully refers the Joint Liquidators to the FTX Recovery Trust’s response to Document Request No. 11.

**DOCUMENT REQUEST NO. 13**

Documents sufficient to show the purpose, establishment, and terms of FTX’s “insurance fund,” as described by Sam Bankman-Fried during his October 27, 2023 trial examination in the action titled *United States v. Samuel Bankman-Fried*, No. 22-cr-673 (S.D.N.Y.) (at pages 2433-2434 of the transcript thereof), to show the existence and potential application of the insurance fund in June 2022, and to show the “amount of money FTX [had] pledged to use to cover customer account losses” in June 2022.

**RESPONSE TO DOCUMENT REQUEST NO. 13**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection, including because Mr. Bankman-Fried would go on to explain that the “insurance fund” described was irrelevant to accounts with a “positive net asset value.” Trial Tr. at 2689, *United States v. Samuel Bankman-Fried*, No. 22-cr-673 (S.D.N.Y.). The FTX Recovery Trust further objects to this Document Request to the extent that it is duplicative of Document Request No. 26 in the *Joint Liquidator’s Seventh Set of Request for Production*, to which the FTX Recovery Trust has already provided responses and objections and produced documents.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has produced documents that are responsive to this Document Request, including FTX\_3AC\_000045026, FTX\_3AC\_000044809, and FTX\_3AC\_000045167.

The FTX Recovery Trust has also reviewed the code base for the Exchange, which is consistent with the descriptions of the “insurance fund” included in FTX\_3AC\_000045026, FTX\_3AC\_000044809, and FTX\_3AC\_000045167 to which the FTX Recovery Trust interprets Mr. Bankman-Fried to be referring in the quoted portion of his October 27, 2023 trial examination

included in Document Request No. 13. Production of the code base for the Exchange would be overbroad and unduly burdensome, not proportional to the needs of the Claim Objection, and likely not intelligible to the Joint Liquidators.

#### **DOCUMENT REQUEST NO. 14**

All Documents and Communications relating to 8Blocks’ assertion of “a beneficial interest in certain sub-accounts held by Three Arrows Capital Ltd” on the FTX Exchange, as set forth in FTX\_3AC\_000043660, and the resolution and/or settlement of such claim, including without limitation all Documents and Communications that 8Blocks provided to FTX or FTX Digital Markets Ltd “to demonstrate its claim to unencumbered beneficial ownership of the USDT Asset” and all Documents and Communications that FTX or FTX Digital Markets Ltd provided to 8Blocks to “confirm” or “not confirm” its “accept[ance]” of such “Evidence.”

#### **RESPONSE TO DOCUMENT REQUEST NO. 14**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has already conducted a review using broad search terms that would have identified discussions about 3AC or the 3AC Accounts, including as they relate to 8Blocks, and that, to the extent any responsive documents may exist in the FTX Recovery Trust’s possession, custody, and control, they have already been produced to the Joint Liquidators.

#### **DOCUMENT REQUEST NO. 15**

All Documents and Communications relating to 8Blocks’ “transfer [of] its rights to the USDT Asset to FTX,” as set forth in FTX\_3AC\_000043660, including without limitation all Documents and Communications relating to any “appoint[ment] [of] the directors of FTX from time to time as [8Blocks’] attorneys.”



**RESPONSE TO DOCUMENT REQUEST NO. 15**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection.

Subject to and without waiver of its Objections, the FTX Recovery Trust respectfully refers the Joint Liquidators to the FTX Recovery Trust's response to Document Request No. 14.

**DOCUMENT REQUEST NO. 16**

Documents sufficient to show FTX's tax and accounting treatment of Customer deposits or withdrawals of Assets into or from the FTX Exchange in June 2022, including without limitation whether and the extent to which FTX treated such deposits or withdrawals as taxable events for (1) FTX and (2) the depositing or withdrawing Customers.

**RESPONSE TO DOCUMENT REQUEST NO. 16**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection. The FTX Recovery Trust further objects to this Document Request on the grounds that it was provided to the FTX Recovery Trust less than a week before the deadline for the completion of document productions in under the *Order Approving Stipulation Governing Litigation of the FTX Recovery Trust's Objection to Amended Proof of Claim Filed by the Joint Liquidators of Three Arrows Capital, Ltd.* [D.I. 31880].

For the foregoing reasons, the FTX Recovery Trust will not search for or produce Documents responsive to this Document Request.

**DOCUMENT REQUEST NO. 17**

Documents sufficient to show all information that the FTX Exchange provided or presented, or would have provided or presented, to 3AC relating to 3AC's Accounts in June 2022, including without limitation all information relating to the balance of each Asset and liability in or allocated to 3AC's Accounts as of such time, to 3AC's applicable collateral, margin, maintenance, or other requirements relating to 3AC's Accounts as of such time, and to 3AC's satisfaction or non-satisfaction of such requirements as of such time.

**RESPONSE TO DOCUMENT REQUEST NO. 17**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection. The FTX Recovery Trust further objects to this Document Request on the grounds that it requests information already in the possession, custody, and control of the Joint Liquidators. The FTX Recovery Trust further objects to this Document Request on the grounds that it was provided to the FTX Recovery Trust less than a week before the deadline for the completion of document productions in under the *Order Approving Stipulation Governing Litigation of the FTX Recovery Trust's Objection to Amended Proof of Claim Filed by the Joint Liquidators of Three Arrows Capital, Ltd.* [D.I. 31880].

Subject to and without waiver of its Objections, the FTX Recovery Trust states that it has already conducted a review using broad search terms that would have identified communications from the Debtors to 3AC in June 2022, and that, to the extent any responsive documents may exist in the FTX Recovery Trust's possession, custody, and control, they have already been produced to the Joint Liquidators. The FTX Recovery Trust has also produced raw

data from the Exchange relating to the 3AC Accounts from which 3AC's Account Balance and other applicable metrics described in Document Request No. 17 were calculated.

**DOCUMENT REQUEST NO. 18**

Any rulebooks or regulatory rules, from any jurisdiction, that applied to FTX Digital Markets Ltd or FTX Trading Ltd. in June 2022, and any regulatory applications submitted by or on behalf of FTX Digital Markets Ltd or FTX Trading Ltd. in any such jurisdiction in or prior to June 2022.

**RESPONSE TO DOCUMENT REQUEST NO. 18**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection. The FTX Recovery Trust further objects to this Document Request on the grounds that it was provided to the FTX Recovery Trust less than a week before the deadline for the completion of document productions in under the *Order Approving Stipulation Governing Litigation of the FTX Recovery Trust's Objection to Amended Proof of Claim Filed by the Joint Liquidators of Three Arrows Capital, Ltd.* [D.I. 31880].

For the foregoing reasons, the FTX Recovery Trust will not search for or produce Documents responsive to this Document Request.

**DOCUMENT REQUEST NO. 19**

All Documents relating to 3AC or 3AC's Accounts, provided to You at any time by any current or former director, officer, or employee of FTX Trading Ltd. or its debtor affiliates, or by any agents or representatives of such Persons, who You understand to have had any knowledge of 3AC's Accounts prior to the appointment of the Joint Liquidators.

**RESPONSE TO DOCUMENT REQUEST NO. 19**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery

Trust also objects to this Document Request to the extent that it is overbroad and unduly burdensome, and calls for the production of information or documents that are neither relevant to nor proportional to the needs of the Claim Objection.

Subject to and without waiver of its Objections, the FTX Recovery Trust states that, on August 26, 2025, it received a limited number of additional documents from Zane Tackett. The FTX Recovery Trust is producing these documents, which are embedded in an email from Mr. Tackett to the FTX Recovery Trust previously produced, as part of its production of documents provided contemporaneously herewith.

### **SPECIFIC RESPONSES AND OBJECTIONS TO INTERROGATORIES**

Subject to and without waiving the foregoing General Objections, Objections to Definitions, and Objections to Instructions, which are hereby expressly incorporated into each of the following specific objections and responses as if fully set forth therein, the FTX Recovery Trust responds to the Interrogatories as follows:

#### **INTERROGATORY NO. 1**

Identify all bases for the differences, in quantity and composition, between 3AC's "Spot Margin Borrow" of approximately \$631,287,133 as of the end of day on June 12, 2022, as reflected in FTX\_3AC\_000000008, and 3AC's purported Negative U.S. Dollar Balance of approximately \$733 million as of the end of day on June 12, 2022, as contended by Coverick Declaration ¶¶ 61, 83, and all constituent liabilities and balances that comprise each of the foregoing figures.

#### **RESPONSE TO INTERROGATORY NO. 1**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Interrogatory to the extent that it is overbroad and unduly burdensome. In addition, the FTX Recovery Trust objects to this Interrogatory to the extent that it encompasses information already in the possession of the Joint Liquidators.

Subject to and without waiver of its Objections, the Negative U.S. Dollar Balance as of the end of the day on June 12, 2022 (UTC) included the aggregate of the U.S. Dollar Balance, both negative and positive, for all of the 3AC Accounts (including subaccounts) and the \$120 million Line of Credit. The Spot Margin Borrow cited in Interrogatory No. 1 appears to include only the 3AC Account's borrowing for subaccount number 2338882. Further and as described in the Coverick Declaration, the Line of Credit allowed 3AC to trade using leverage up to the amount of the Line of Credit (\$120 million) without resorting to borrowing from the Margin Program.

## **INTERROGATORY NO. 2**

For each of FTX\_3AC\_000013844, FTX\_3AC\_000013853, FTX\_3AC\_000013862, FTX\_3AC\_000013689, and FTX\_3AC\_000013912, Identify (1) who authored the document, (2) when the document was authored, (3) whether the document was modified since originally authored, and if so by whom, (4) when the document was last updated and by whom, (5) how, if at all, the document was presented or made available to Customers in general and to 3AC in particular in or prior to June 2022, (6) whether, when, and where the document was made publicly available, and (7) how FTX obtained the document.

## **RESPONSE TO INTERROGATORY NO. 2**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust also objects to this Interrogatory to the extent that it is overbroad and unduly burdensome, and calls for information that is neither relevant to nor proportional to the needs of the Claim Objection.

Subject to and without waiver of its Objections, as indicated at the top of FTX\_3AC\_000013844, FTX\_3AC\_000013853, FTX\_3AC\_000013862, each of these documents was captured by the Wayback Machine, an internet-based archive of the World Wide Web maintained by the Internet Archive, and then subsequently downloaded by the Debtors. FTX\_3AC\_000013844 was captured by the Wayback Machine from the public webpage <https://help.ftx.com/hc/en-us/articles/360031149632> on September 26, 2022.

FTX\_3AC\_000013853 was captured by the Wayback Machine from the public webpage <https://help.ftx.com/hc/en-us/articles/360027668712-Liquidations> on January 25, 2022. FTX\_3AC\_000013862 was captured by the Wayback Machine from the public webpage [help.ftx.com/hc/en-us/articles/360053007671-Spot-Margin-Trading-Explainer](https://help.ftx.com/hc/en-us/articles/360053007671-Spot-Margin-Trading-Explainer) on October 6, 2022.

Following an additional investigation, the FTX Recovery Trust identified images of these webpages on FTX's public website as of June 14, 2022 from records within its control, and is producing them to the Joint Liquidators, as part of its production of documents provided contemporaneously herewith. The Debtors' records do not identify the author of these webpages.

The FTX Recovery Trust refers the Joint Liquidators to the DAT file produced with FTX\_3AC\_000013689 for metadata available to the FTX Recovery Trust responsive to Interrogatory No. 2.

FTX\_3AC\_000013912 reflects "Preliminary & Tentative" and "Illustrative" estimates by the Debtors' financial advisers, Alvarez & Marsal, as of early 2024, regarding the collateral requirements of the 3AC Accounts. FTX\_3AC\_000013912 was produced to the Joint Liquidators at their request following the 30(b)(6) deposition of Robert Gordon. The FTX Recovery Trust does not endorse all elements of FTX\_3AC\_000013912 as the FTX Recovery Trust's understanding of the topics discussed in FTX\_3AC\_000013912 has materially developed over time with additional factual investigation and analysis.

### **INTERROGATORY NO. 3**

Identify all Customers, including any Customers affiliated with FTX, who, at any time between the inception of FTX's Margin Program or Lending Program and FTX's bankruptcy filings, had a negative Account Balance, and the circumstances in which such Customers acquired a negative Account Balance at such time.

**RESPONSE TO INTERROGATORY NO. 3**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above. The FTX Recovery Trust has produced the Account Balance for 3AC at all times between the inception of FTX's Margin Program or Lending Program and FTX's bankruptcy filings. The FTX Recovery Trust has also produced to the Joint Liquidators the applicable, binding, agreements which govern the Margin Program or Lending Program. The FTX Recovery Trust has thus provided the Joint Liquidators all relevant materials to the Claim Objection and objects to this Interrogatory as overbroad and unduly burdensome, and calls for information that is neither relevant to nor proportional to the needs of the Claim Objection.

Subject to and without waiver of its Objections, the FTX Recovery Trust is unable to identify "all" Customers "at any time" who had a negative Account Balance. This is, first, because such an exercise would be extraordinarily burdensome as it would require calculating the account balance for millions of customers an unspecified (but undoubtedly very large) number of times throughout the lifetime of the FTX.com Exchange; and, second, because the FTX Recovery Trust lacks reliable and verifiable pricing data for certain Digital Assets traded by all Customers at all times.

Subject to the above, in a good faith effort to respond to this Interrogatory, the FTX Recovery Trust has attempted to assess the approximate number of Customers with a negative Account Balance as of June 14, 2022, excluding those accounts identified in the spreadsheet bearing production number FTX\_3AC\_000044523. Based on this preliminary assessment, which requires further diligence given the lack of reliable pricing for certain assets traded on the Exchange on June 14, 2022—particularly certain assets other than BTC, ETH, and FTT—the FTX Recovery Trust has identified that approximately 0.2% of Customer accounts, or 11,000 Customer

accounts in the aggregate, potentially had a negative Account Balance on that date. Such accounts were overwhelmingly negative by only a *de minimis* amount. Of those approximately 11,000 Customer accounts, 58% had a negative Account Balance of less than \$1.00; and 99% had a negative Account Balance of less than \$1,000.00.

Although customer accounts were not generally permitted to have a negative Account Balance, the FTX Recovery Trust understands that a small subset of customer accounts may have from time to time achieved a negative balance as the result of rapid movements in the prices of certain digital assets or related reference prices of certain futures contracts that resulted in customer losses which could not be fully mitigated by the Debtors' liquidation procedures before the account achieved a negative account balance. The Debtors' liquidation procedures were intended to (and generally did) prevent customers from having a negative account balance, in particular for accounts associated with more than *de minimis* amounts of highly traded digital assets like BTC, ETH, and FTT. Once an Account Balance for a customer became negative, the Debtors would generally only allow further trading by that customer if the customer deposited additional assets with the Exchange to address the negative Account Balance. The FTX Recovery Trust is not aware of any information suggesting that FTX ever realized any loss as a result of a negative Account Balance, and generally FTX continued to assess interest on negative Account Balances and leave such Customer accounts open until the Petition Date.

#### **SPECIFIC RESPONSES AND OBJECTIONS TO REQUESTS FOR ADMISSION**

Subject to and without waiving the foregoing General Objections, Objections to Definitions, and Objections to Instructions, which are hereby expressly incorporated into each of the following specific objections and responses as if fully set forth therein, the FTX Recovery Trust responds to the Requests for Admission as follows:



**REQUEST FOR ADMISSION NO. 1**

Admit that, as a result of the sales and/or liquidations (including the Liquidation) of the Assets in or allocated to 3AC's Account(s) between June 12, 2022 and June 14, 2022 (inclusive), the "USD" that 3AC had "drawn from the Line of Credit" with FTX, as referenced in Claim Objection ¶ 73, was repaid to FTX.

**RESPONSE TO REQUEST FOR ADMISSION NO. 1**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above.

Subject to and without waiver of its Objections, the FTX Recovery Trust denies Request for Admission No. 1.

**REQUEST FOR ADMISSION NO. 2**

Admit that FTX Trading Ltd. individually was solvent on each of June 12, 2022, June 13, 2022, and June 14, 2022, as the Debtors used the term "solvent" in the Disclosure Statement and the Ray Declaration.

**RESPONSE TO REQUEST FOR ADMISSION NO. 2**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above.

Subject to and without waiver of its Objections, the FTX Recovery Trust denies Request for Admission No. 2.

**REQUEST FOR ADMISSION NO. 3**

Admit that the Dotcom Silo collectively was solvent on each of June 12, 2022, June 13, 2022, and June 14, 2022, as the Debtors used the term "solvent" in the Disclosure Statement and the Ray Declaration.

**RESPONSE TO REQUEST FOR ADMISSION NO. 3**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above.

Subject to and without waiver of its Objections, the FTX Recovery Trust denies Request for Admission No. 3.

**REQUEST FOR ADMISSION NO. 4**

Admit that FTX would have suffered financial damages or losses if 3AC's Negative U.S. Dollar Balance were not repaid. Admit that, if 3AC's Negative U.S. Dollar Balance were not repaid, FTX would have suffered financial damages or losses at least in the amount that 3AC's "Line of Credit" under LOC & Margin Document was utilized and/or drawn by 3AC..

**RESPONSE TO REQUEST FOR ADMISSION NO. 4**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above.

Subject to and without waiver of its Objections, the FTX Recovery Trust denies Request for Admission No. 4.

**REQUEST FOR ADMISSION NO. 5**

Admit that, if 3AC's Negative U.S. Dollar Balance were not repaid, FTX would have suffered financial damages or losses at least in the amount that 3AC's "Line of Credit" under LOC & Margin Document was utilized and/or drawn by 3AC.

**RESPONSE TO REQUEST FOR ADMISSION NO. 5**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above.

Subject to and without waiver of its Objections, the FTX Recovery Trust denies Request for Admission No. 5.

**REQUEST FOR ADMISSION NO. 6**

Admit that FTX did not and does not have a valid and enforceable security interest in any Assets in or allocated to 3AC's Accounts between June 12, 2022 and June 14, 2022 (inclusive).

**RESPONSE TO REQUEST FOR ADMISSION NO. 6**

The FTX Recovery Trust incorporates by reference the General Objections, Objections to Definitions, and Objections to Instructions as set forth above.

Subject to and without waiver of its Objections, the FTX Recovery Trust admits that FTX did not have a security interest in any Assets associated with the 3AC Accounts between

June 12 and June 14, 2022 because FTX owned all Assets associated with the 3AC Accounts prior to the Effective Date, at which point all assets of FTX were transferred to the FTX Recovery Trust.

Dated: September 9, 2025  
Wilmington, Delaware

**LANDIS RATH & COBB LLP**

/s/ Matthew R. Pierce

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*Counsel for the FTX Recovery Trust*

## **Exhibit 15**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

FTX TRADING LTD., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 22-11068 (JTD)

(Jointly Administered)

**DEBTORS' RESPONSES AND OBJECTIONS TO THE JOINT LIQUIDATORS OF  
THREE ARROWS CAPITAL, LTD.'S (I) FOURTH SET OF INTERROGATORIES  
AND (II) FOURTH SET OF REQUESTS FOR THE PRODUCTION OF DOCUMENTS**

Pursuant to Rules 26, 30, 33 and 34 of the Federal Rules of Civil Procedure (the “Federal Rules”), made applicable to these chapter 11 proceedings by Rules 7026, 7030, 7033, 7034, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Local Rules of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), and any other applicable law, rules, or orders of the Court (collectively, the “Applicable Rules”), FTX Trading Ltd. (“FTX Trading”) and its affiliated debtors and debtors-in-possession (collectively, the “Debtors”), by their undersigned attorneys, hereby submit these responses and objections (the “Responses”) to (i) *The Joint Liquidators of Three Arrows Capital, Ltd.’s Fourth Set of Interrogatories Directed to the Debtors* (the “Interrogatories”) and (ii) *The Joint Liquidators of Three Arrows Capital, Ltd.’s Fourth Set of Requests for the Production of Documents Directed to the Debtors* (the “Document Requests”), each dated November 1, 2024 and served by Russell Crumpler and Christopher Farmer, in their capacities as the duly authorized joint liquidators (the

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<sup>1</sup> The last four digits of FTX Trading Ltd.’s and Alameda Research LLC’s tax identification number are 3288 and 4063 respectively. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ claims and noticing agent at <https://cases.ra.kroll.com/FTX>. The principal place of business of Debtor Emergent Fidelity Technologies Ltd is Unit 3B, Bryson’s Commercial Complex, Friars Hill Road, St. John’s, Antigua and Barbuda.

“Joint Liquidators”) of Three Arrows Capital, Ltd. (“3AC”), in connection with the *Debtors’ Objection to Proofs of Claim Filed by the Joint Liquidators of Three Arrows Capital Ltd.* [D.I. 19797] (the “Claim Objection”).<sup>2</sup>

### **GENERAL OBJECTIONS**

The general objections set forth below (the “General Objections”) apply to the Discovery generally and to each definition in the Discovery (the “Definitions”), each instruction in the Discovery (the “Instructions”), Document Request, and Interrogatory, and unless otherwise stated, shall have the same force and effect as if fully set forth in response to each Definition, Instruction, Document Request, and Interrogatory. Any objection to a Definition or Instruction shall also apply to any other Definition, Instruction, Document Request, or Interrogatory that incorporates that Definition or Instruction. No response to any specific Document Request or Interrogatory is, or shall be deemed to be, a waiver of the General Objections or the specific objections set forth below. The fact that an objection is not listed herein does not, and shall not, constitute a waiver of that objection or otherwise preclude the Debtors from raising that objection at a later time.

1. The Debtors object to the Discovery on the basis that further discovery on the merits is premature until after the Court decides the *Motion of the Joint Liquidators of Three Arrows Capital, Ltd. (in Liquidation) for Leave to Amend Proof of Claim* [D.I. 27755] (the “Motion”), the scope of the claims litigation is defined, and a litigation and discovery schedule is entered.

2. The Debtors object to the Discovery and accompanying Definitions and Instructions to the extent that they are vague and ambiguous, overly broad, unduly burdensome,

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<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Document Requests.

lacking in particularity, unreasonable, or seek information that is neither relevant to nor proportional to the needs of the Claim Objection or any party's claim or defense in connection with the Claim Objection. The Debtors will construe the Discovery and accompanying Definitions and Instructions in accordance with the Debtors' obligations under the Applicable Rules.

3. The Debtors object to the Discovery and accompanying Definitions and Instructions to the extent that they purport to impose on the Debtors any burden or obligation that is broader than, or inconsistent with, the permissible scope of discovery under the Applicable Rules. The Debtors will construe the Discovery and accompanying Definitions and Instructions in accordance with the Debtors' obligations under the Applicable Rules.

4. The Debtors object to the Discovery to the extent that it is duplicative of, or otherwise inconsistent with, the voluminous informal discovery provided by the Debtors to the Joint Liquidators of 3AC at significant burden and expense to the Debtors and their estates. Certain Responses below include information that has already been provided by the Debtors to 3AC, but is included herein for completeness.

5. The Debtors object to the Discovery and accompanying Definitions and Instructions to the extent that they seek information that is protected from disclosure by any applicable privilege, immunity, or protection, including the attorney-client privilege, work product doctrine, joint-defense privilege, or the common-interest privilege, or that is otherwise protected from disclosure under the Applicable Rules. Nothing contained in these Responses is intended to be, nor shall in any way be, construed as a waiver of any such privilege, immunity, or protection. Specific Objections on the grounds of privilege, if any, are provided for clarity only, and the absence of a Specific Objection is neither intended to be, nor should be interpreted as, evidence



that the Debtors do not object to a Document Request or Interrogatory on the basis of an applicable privilege, immunity, or protection.

6. The Debtors object to the Discovery and accompanying Definitions and Instructions to the extent that they seek production of information that is a matter of public record and/or information that is equally available to the Joint Liquidators of 3AC, or otherwise more appropriately directed to another party or person.

7. The Debtors object to the Discovery and accompanying Definitions and Instructions to the extent that they seek documents or information outside of the Debtors' possession, custody, or control.

8. The Debtors object to the Discovery and accompanying Definitions and Instructions to the extent that they seek the production of information that is confidential, proprietary, commercially sensitive, or contains customer or personal information relating to the Debtors, their affiliates, and their current or former officers, directors, employees and/or advisors, clients, customers, or counterparties. The Debtors' production of any documents in response to the Requests shall be subject to the terms of the *Confidentiality Agreement and Stipulated Protective Order* [D.I. 832].

9. The Debtors object to the Discovery and accompanying Definitions and Instructions to the extent that they purport to require the Debtors to conduct anything beyond a reasonable search of readily accessible sources where responsive documents or information, including electronically stored information, are reasonably expected to be found.

10. The Debtors object to the Discovery and accompanying Definitions and Instructions to the extent that they purport to require the Debtors to draw legal or factual conclusions, or are predicated on legal or factual conclusions or arguments. No response to any

specific Document Request or Interrogatory is, or shall be construed as, a legal or factual conclusion concerning any of the terms used in the Document Request or Interrogatory.

11. The Debtors object to the Discovery and accompanying Definitions and Instructions to the extent that they assume the existence of facts that do not exist or the occurrence of events that did not take place. No response to any specific Document Request or Interrogatory is, or shall be construed as, an admission that any factual predicate stated in the Document Request or Interrogatory is accurate.

12. No incidental or implied admissions are intended by the objections herein, nor shall the fact that the Debtors have objected or responded, or not objected or responded, to a particular Document Request or Interrogatory be construed as an admission or indication that the Debtors possess documents responsive to such Document Request or Interrogatory, or any other Document Request or Interrogatory. Similarly, a statement that the Debtors will produce documents in a response to a Document Request does not constitute a representation that responsive documents exist, but only that responsive documents will be produced if they exist, can be located through a reasonable search, and are not otherwise protected from disclosure.

13. The Debtors reserve all objections that may be available to them at any hearing or trial or on any motion to the use or admissibility of any material produced.

14. These Responses are based solely on facts reasonably known to the Debtors at the time of responding to the Discovery. The Debtors reserve the right, but do not assume the obligation, to amend, supplement, or otherwise modify the content of these Responses at any time.

#### **OBJECTIONS TO DEFINITIONS**

15. The Debtors object to each of the Definitions, and to any Definition, Instruction, Document Request or Interrogatory that incorporates the Definition, to the extent that the

Definition purports to define terms other than in accordance with the meanings typically ascribed to those terms in ordinary usage or pursuant to the Applicable Rules.

16. The Debtors object to the Definitions of “Communication,” “Document” or “Documents,” and “relating to,” and to any Definition, Instruction, Document Request or Interrogatory that incorporates one of those Definitions, to the extent that they purport to impose burdens or obligations on the Debtors that are broader than, inconsistent with, or not authorized by the Applicable Rules.

17. The Debtors object to the Definition of “Debtors,” “FTX,” “You” or “Your,” and to any Definition, Instruction, Document Request or Interrogatory that incorporates that Definition, as overly broad, vague, and unduly burdensome to the extent that it includes “any agents, representatives, employees, attorneys, accountants, investigators, consultants, and any other person or entity acting Your behalf” or purports to seek information regarding non-Debtors. The Debtors further object to this Definition, and to any Definition, Instruction, Document Request or Interrogatory that incorporates that Definition, to the extent that it encompasses third parties and/or information that is not in the Debtors’ possession, custody or control, as well as to the extent that the Definition purports to seek information that is protected from disclosure by any applicable privilege, immunity, or protection, including the attorney-client privilege, work product doctrine, joint-defense privilege, or the common-interest privilege.

18. The Debtors object to the Definition of “3AC” and to any Definition, Instruction, Document Request or Interrogatory that incorporates that Definition, as overly broad, vague, and unduly burdensome to the extent that the Definition includes “any affiliates, agents, representatives, employees, attorneys, accountants, investigators, consultants, and any other person or entity acting on its behalf, including without limitation Three Arrows Capital Pte. Ltd.,

incorporated as a business under the laws of Singapore in 2012, Three AC Ltd., Kyle Davies, and Su Zhu.” The Debtors further object to this Definition, and to any Definition, Instruction, Document Request or Interrogatory that incorporates that Definition, to the extent that it encompasses third parties and/or information that is not in the Debtors’ possession, custody or control, as well as to the extent that the Definition purports to seek information that is protected from disclosure by any applicable privilege, immunity, or protection, including the attorney-client privilege, work product doctrine, joint-defense privilege, or the common-interest privilege.

19. The Debtors object to the Definition of “Person,” and to any Definition, Instruction, Document Request or Interrogatory that incorporates that Definition, as overly broad, vague, and unduly burdensome to the extent that the Definition includes “any business or governmental entities, or associations, partnerships, firms, corporations, units, joint ventures, any other form of business organization or arrangement, or any other form of public, private, or legal entity.” The Debtors further object to this Definition, and to any Definition, Instruction, Document Request or Interrogatory that incorporates that Definition, to the extent that it encompasses third parties and/or information that is not in the Debtors’ possession, custody or control, as well as to the extent that the Definition purports to seek information that is protected from disclosure by any applicable privilege, immunity, or protection, including the attorney-client privilege, work product doctrine, joint-defense privilege, or the common-interest privilege.

### **OBJECTIONS TO INSTRUCTIONS TO INTERROGATORIES**

20. The Debtors object to the following instructions to the Interrogatories (the “Interrogatory Instructions”). The failure to object to any of the Interrogatory Instructions shall not be deemed a waiver of any objections, nor a concession that any of such instructions are appropriate.

21. The Debtors object to the Interrogatory Instructions, and to each Interrogatory incorporating any such Interrogatory Instructions, to the extent that they purport to impose burdens or obligations on the Debtors that are broader than, inconsistent with, or not authorized by the Applicable Rules.

22. The Debtors object to Interrogatory Instruction Nos. 1, 3, 4, 6, and 10 and to each Interrogatory incorporating any such Interrogatory Instruction as overly broad and unduly burdensome.

23. The Debtors object to Interrogatory Instruction Nos. 1 and 7, and to each Interrogatory incorporating any such Interrogatory Instructions, as vague and ambiguous, in particular its inclusion of “assisted in” and “reasonable.”

#### **OBJECTIONS TO INSTRUCTIONS TO DOCUMENT REQUESTS**

24. The Debtors object to the following instructions to the Document Requests (the “RFP Instructions”). The failure to object to any of the RFP Instructions shall not be deemed a waiver of any objections, nor a concession that any of such instructions are appropriate.

25. The Debtors object to the RFP Instructions to the extent that they seek to impose requirements on the Debtors that are unreasonable, unduly burdensome, non-customary or greater than those imposed by the Applicable Rules.

26. The Debtors object to RFP Instruction Nos. 4, 8, and 10 and to each specific Document Request incorporating any such RFP Instruction as overly broad and unduly burdensome. The Debtors further object to these RFP Instructions, and to each specific Request incorporating any such RFP Instructions, to the extent that they purport to impose burdens or obligations on the Debtors that are broader than, inconsistent with, or not authorized by the Applicable Rules.

27. The Debtors further object to RFP Instruction No. 4 and 5 and to each specific Document Request incorporating any such RFP Instructions, as vague and ambiguous, in particular its inclusion of “constructive possession,” “superior right or practical ability,” and “deletion or redactions.”

### **SPECIFIC RESPONSES AND OBJECTIONS TO INTERROGATORIES**

Subject to and without waiving the foregoing General Objections, Objections to Definitions, and Objections to Instructions to Interrogatories, which are hereby expressly incorporated into each of the following specific objections and responses as if fully set forth therein, the Debtors respond to the Interrogatories as follows:

#### **INTERROGATORY NO. 1**

Identify all the “FTX Developers” as referenced in FTX\_3AC\_000013874 at FTX\_3AC\_000013911, including the name, title, and last known physical address, phone number, and email address for each current and former employee, and describe their personal knowledge relating to 3AC.

#### **RESPONSE TO INTERROGATORY NO. 1**

The Debtors incorporate by reference the General Objections, Objections to Definitions, and Objections to Instructions to Interrogatories as set forth above. The Debtors also object to this Interrogatory to the extent that it seeks information that is not relevant and/or because the burden or expense of the requested discovery outweighs its likely benefit. The Debtors further object to this Interrogatory on the basis that further discovery on the merits is premature until after the Court decides the Motion, the scope of the claims litigation is defined, and a litigation and discovery schedule is entered.

Subject to and without waiver of their Objections, the “FTX Developers” referenced in FTX\_3AC\_000013874 at FTX\_3AC\_000013911 refer to Nils Molina. As the Debtors confirmed to counsel to the Joint Liquidators via email on November 4, 2024, Mr. Molina

is represented by counsel for the Debtors in this matter, and the Joint Liquidators should direct any correspondence to Mr. Molina through counsel for the Debtors.

**INTERROGATORY NO. 2**

Identify all FTX users who loaned any amount to 3AC as of June 12, 2022, and the amount each individual FTX user loaned to 3AC.

**RESPONSE TO INTERROGATORY NO. 2**

The Debtors incorporate by reference the General Objections, Objections to Definitions, and Objections to Instructions to Interrogatories as set forth above. The Debtors also object to this Interrogatory to the extent that it seeks information that is not relevant and/or because the burden or expense of the requested discovery outweighs its likely benefit. The Debtors further object to this Interrogatory on the basis that further discovery on the merits is premature until after the Court decides the Motion, the scope of the claims litigation is defined, and a litigation and discovery schedule is entered.

Subject to and without waiver of their Objections, the Debtors understand that, as relevant here, borrowing from users on the FTX.com exchange occurred through the use of pooled funds, wherein borrowers could access a shared pool of funds to which a dynamic group of lenders contributed. The available data does not provide a means for identifying an individual lender as the source of specific funds borrowed by 3AC on any given date.

**SPECIFIC RESPONSES AND OBJECTIONS TO DOCUMENT REQUESTS**

Subject to and without waiving the foregoing General Objections, Objections to Definitions, and Objections to Instructions to Document Requests, which are hereby expressly incorporated into each of the following specific objections and responses as if fully set forth therein, the Debtors respond to the Requests as follows:

**DOCUMENT REQUEST NO. 1**

All Documents and Communications relating to the September 20, 2020 meeting between 3AC and FTX as identified in FTX\_3AC\_000013874 at FTX\_3AC\_000013883.

**RESPONSE TO DOCUMENT REQUEST NO. 1**

The Debtors incorporate by reference the General Objections, Objections to Definitions, and Objections to Instructions to Document Requests as set forth above. The Debtors also object to this Document Request to the extent that it seeks information that is not relevant and/or because the burden or expense of the requested discovery outweighs its likely benefit. The Debtors further object to this Document Request on the basis that further discovery on the merits is premature until after the Court decides the Motion, the scope of the claims litigation is defined, and a litigation and discovery schedule is entered.

Subject to and without waiver of their Objections, the Debtors refer the Joint Liquidators to materials previously produced to the Joint Liquidators and in particular, four previously produced documents bearing production numbers FTX\_3AC\_000000054, FTX\_3AC\_000001566, FTX\_3AC\_000001567, and FTX\_3AC\_000005102. The Debtors understand that the reference to “9/20/2020” in FTX\_3AC\_000013874 at FTX\_3AC\_000013883 is a typo—the actual meeting date between FTX and 3AC was September 30, 2020, as reflected in the previously produced documents. The Debtors will produce any additional non-privileged documents responsive to this Document Request if any are identified by the Debtors after a reasonable search.

**DOCUMENT REQUEST NO. 2**

All Documents and Communications between Ramnik Arora and Kyle Davies, including without limitation communications between Ramnik Arora and Kyle Davies between April 22, 2021 to April 30, 2021 as referenced in FTX\_3AC\_000013874 at FTX\_3AC\_000013883.



### **RESPONSE TO DOCUMENT REQUEST NO. 2**

The Debtors incorporate by reference the General Objections, Objections to Definitions, and Objections to Instructions to Document Requests as set forth above. The Debtors also object to this Document Request to the extent that it seeks information that is not relevant and/or because the burden or expense of the requested discovery outweighs its likely benefit. The Debtors further object to this Document Request on the basis that further discovery on the merits is premature until after the Court decides the Motion, the scope of the claims litigation is defined, and a litigation and discovery schedule is entered.

Subject to and without waiver of their Objections, the Debtors refer the Joint Liquidators to materials previously produced to the Joint Liquidators, in particular FTX\_3AC\_000005955, FTX\_3AC\_000005957, FTX\_3AC\_000005960, FTX\_3AC\_000005962, and FTX\_3AC\_000006325 through FTX\_3AC\_000006335. The Debtors will produce any additional non-privileged documents responsive to this Document Request if any are identified by the Debtors after a reasonable search.

### **DOCUMENT REQUEST NO. 3**

All Documents and Communications relating to guarantees provided by FTX to any Person in connection with any loans made to 3AC, including without limitation any guarantees made to any user on the FTX platforms as described in the statement in FTX-3AC-000013862 that “Lenders bear no counterparty risk: FTX guarantees interest payments for however long your funds are borrowed, even if the borrower gets liquidated.”

### **RESPONSE TO DOCUMENT REQUEST NO. 3**

The Debtors incorporate by reference the General Objections, Objections to Definitions, and Objections to Instructions to Document Requests as set forth above. The Debtors also object to this Document Request to the extent that it seeks information that is not relevant and/or because the burden or expense of the requested discovery outweighs its likely benefit. The Debtors further object to this Document Request on the basis that further discovery on the merits

is premature until after the Court decides the Motion, the scope of the claims litigation is defined, and a litigation and discovery schedule is entered.

Subject to and without waiver of their Objections, the Debtors refer the Joint Liquidators to materials previously produced to the Joint Liquidators, in particular FTX\_3AC\_000013853 through FTX\_3AC\_000013861. The Debtors will produce any non-privileged documents responsive to this Document Request if any are identified by the Debtors after a reasonable search.

Dated: December 2, 2024  
Wilmington, Delaware

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## **Exhibit 16**

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

-----X  
IN RE: FTX TRADING LTD., et al.,

Debtors.

CHAPTER 11

Case No. 22-11068

-----X

DATE: September 25, 2025

TIME: 9:00 A.M.

VIDEOTAPED DEPOSITION of STEVEN  
COVERICK, held at Latham & Watkins, 1271  
Avenue of the Americas, New York, New York,  
before Rivka Trop, a Notary Public of the  
State of New York.

Magna Legal Services  
866-624-6221  
[www.MagnaLS.com](http://www.MagnaLS.com)

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Q. Let's -- let's first look at the original declaration. As you know, the joint liquidators were only recently provided with a supplemental declaration and are still reviewing it.

Do you draw any assessment with respect to maintenance margin requirement compliance in your original declaration?

A. I do.

Q. Where is that?

A. I begin, I believe it begins on -- in paragraph 74.

Q. And what does the conclusion reach with respect to maintenance margin requirements in that paragraph?

A. The margin trading account value for the 3AC accounts fell below the maintenance margin level absent the line of credit at approximately 9:00 a.m. on June 13, 2022.

Q. What does the phrase absent the line of credit mean in that statement?

A. The line of credit is -- in any line of credit on the FTX exchange is

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something that works in conjunction with the margin trading -- the margin trading account value. The -- the purpose of the line of credit is to increase an account's margin trading account value effectively providing it additional collateral so that it -- the account has more -- more cushion or head room over the requirement.

Q. Is that functionality of the line of credit you just referenced reflected in paragraph 49 of your original declaration?

A. Yes, sir.

Q. So if a customer had a line of credit that was operational, the margin trading account value should be increased by the -- is it face amount of that line of credit to determine the margin trading account value?

A. For 3AC's account they were utilizing the full amount of the line of credit in the periods referenced in my -- in my declaration. But it would be the -- the utilized amount of the line of credit.

Q. When you say utilized amount of

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the line of credit, what do you mean by utilized?

A. So the line of credit effectively functioned in a similar fashion with the -- as the peer to peer borrowing program functioned. And as I state in my declaration it -- it allows -- it allows 3AC or any customer with a line of credit to first draw from the line of credit before borrowing from the margin program.

So to the extent an account had a line of credit, but did not have leverage positions or was not needing to borrow, it would not have any amount drawn on the line of credit. But once -- once there are borrowings on the line of credit, that would increase the margin trading account value by that -- by that value.

Q. So if -- if there was utilization of a line of credit that the extent of that utilization should be added to the margin -- margin trading account value to determine the value of that definition; is that correct?

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MR. GLUECKSTEIN: Objection to the form.

A. The line of credit if -- to the extent utilized would be added to the margin trading account value for purposes of calculating compliance with the maintenance margin requirement.

Q. And did FTX include the added -- strike that.

Did FTX include the utilized amount of the line of credit by Three Arrows at all times in calculating the margin trading account value?

A. At periods in which it was compliant with the requirements under the line of credit.

Q. At what point in time was it not compliance -- compliant in FTX's view with the requirements under the line of credit?

A. As I state in paragraph 74 of my declaration, the account balance for 3AC accounts dropped below \$240 million by 2:00 a.m. UTC on June 13, 2022 and thereafter.

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1 S. COVERICK

2 Q. Is that -- strike -- sorry, go  
3 ahead?

4 A. The requirement on the line of  
5 credit was to maintain 200 percent of the  
6 amount of the line of credit or simply put,  
7 \$240 million, which was the threshold that  
8 the total account balance had to remain  
9 above.

10 Q. Let me make sure I understand  
11 this.

12 So is it FTX's position that even  
13 if a customer had an operative line of  
14 credit, the moment in time at which its  
15 accounts fell below the collateral  
16 requirements associated with the line of  
17 credit, precludes the inclusion of the  
18 utilized amount of the line of credit in the  
19 margin trading account value?

20 A. I am sorry, just to make sure I  
21 got that, can you repeat that one time,  
22 please.

23 Q. Sure. Is it your position that as  
24 a -- looking at paragraph 74, is it your  
25 position that at 2:01 a.m. UTC, June 13,

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1 S. COVERICK

2 ledger, the time of the ledger entry to  
3 remove the line of credit was entered was  
4 10:29 p.m. on June 14.

5 Q. Did it -- if it didn't pull the  
6 line of credit until 10:21 p.m., June 14, it  
7 certainly didn't pull it at 9:00 a.m.  
8 June 13, looking at the second sentence of  
9 paragraph 74; is that correct?

10 A. The mechanical entry on the  
11 exchange ledger was made at the time I just  
12 referenced.

13 Q. That's a yes?

14 MR. GLUECKSTEIN: Objection,  
15 misstates the answer.

16 A. I am answering that the mechanical  
17 entry for the removal of the line of credit  
18 on the exchange ledger was made at  
19 10:29 p.m. That is in my opinion different  
20 from when the line of credit no longer  
21 applied to the maintenance margin  
22 requirement.

23 Q. You say that's your opinion, is it  
24 also FTX's position?

25 A. Yes.

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1 S. COVERICK

2 2022, the utilized amount of the line of  
3 credit could no longer be added to the  
4 margin trading account value?

5 A. It is my understanding that FTX no  
6 longer was required to extend the line of  
7 credit due to the non-compliance of the  
8 account.

9 Q. What did FTX, in fact, do in the  
10 real world?

11 A. In general, I was not there, so I  
12 can't be certain of everything that they  
13 did. I am aware that FTX communicated with  
14 3AC the -- I don't know what -- what it is  
15 called in the 3AC proceeding, but  
16 effectively the pre-petition or  
17 pre-liquidation management team of 3AC that  
18 their account was out of compliance, and  
19 asked them to bring their account back into  
20 compliance to avoid the line of credit being  
21 pulled. And my understanding is 3AC did not  
22 do so, and FTX pulled the line of credit.

23 Q. And did it pull the line of credit  
24 at 2:01 a.m. on June 13, 2022?

25 A. Mechanically in the exchange

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2 Q. Is that reflected in any data on  
3 the exchange, the line of credit no longer  
4 being applied at any point in time earlier  
5 than 10:21 p.m., June 14?

6 MR. GLUECKSTEIN: Objection to the  
7 form.

8 A. That -- as I testified, the  
9 mechanical entry on the exchange was made at  
10 the time I -- I stated. I am aware of the  
11 requirements on the line of credit from both  
12 reviewing the line of credit agreement as  
13 well as seeing communications from FTX to  
14 3AC. Those are the -- those are the  
15 documents that my team has uncovered.

16 Q. Have you seen a single document  
17 anywhere reflecting the pulling or removal  
18 of the line of credit as of 9:00 a.m.,  
19 June 13, 2022?

20 A. Again, I believe that calls for a  
21 legal interpretation as to when the line of  
22 credit would be in compliance or continued  
23 to be extended. I can only speak to when I  
24 know they were out of compliance on the line  
25 of credit, as well as when the mechanical

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assumption my team used when performing the analysis underlying my declaration. But once again, any other conclusions or legal interpretations of this document can only be provided by counsel.

Q. FTX's position is that the only interpretation of this document that can be given by it is in a legal litigation posture?

MR. GLUECKSTEIN: Objection to the form.

A. FTX's position is that legal interpretations must be conducted by lawyers.

Q. You talked about the 200 percent, I think you used the term collateral requirement, but correct me if that's wrong, how do you define the 200 percent provision in this document? What words do you want to use to describe that?

A. I believe in my declaration I refer to it as the account balance 3AC was required to maintain as a condition to its continued access to the line of credit.

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balance had to stay above \$240 million to continue accessing the line of credit.

Q. And to get to 240 million, does that mean you are multiplying 120 million by two?

A. That same math gets to \$240 million, yes.

Q. And the reason you are using 120 million is because that was the face value of the line of credit; is that correct?

A. That was the amount of the line of credit.

Q. Amount, do you -- when you say amount and I say face -- face value, does that mean something different in your view?

A. Again, at the periods I analyzed, the line of credit, the amount, the face value the drawn amount were all synonymous, they were all -- they were all \$120 million. The -- how do we define that, the LOC collateral requirement?

Q. LOC requirement or line of credit requirement, that's okay with you?

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Q. Where are you looking specifically in your declaration?

A. Paragraph 53, line 6 of paragraph 53, line 5 and 6. If there is a more succinct way defined in my declaration, I am happy to use that. But I believe --

Q. I believe, I am happy to make a representation that FTX uses the term in its claim objection LOC or line of credit requirement. Is it fair to use that term in referring to this provision 5 in the line of credit document?

A. I am happy to use that term when referencing the way I describe it my declaration, yes.

Q. Okay. What is FTX's interpretation of the line of credit requirement in this provision 5 of the FTX line of credit?

A. That the 3AC account balance was required to maintain an amount equal to 200 percent of the amount of the line of credit which is equal to \$240 million. The simple interpretation is 3AC's account

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A. Yes, sir, the line of credit requirement would have been \$240 million.

Q. How do you know it is -- how does FTX know it is 200 percent of the face amount of the line of credit versus the drawn amount of the line of credit?

A. I would need to consult with my team to understand the specific way that was confirmed in the exchange database. But the -- again, my understanding is that during the period in question that I testified to in my declaration, the full amount of the line of credit was fully drawn. So those two amounts would be the same.

Q. Was the line of credit fully drawn at all points in time in -- in which it was issued to Three Arrows?

A. I believe there were periods, although I cannot specifically recall them, I don't have them committed to memory, where 3AC did not fully draw the line of credit.

Q. And in those periods, would FTX calculate the line of credit requirement by



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agreement and legal rights of both parties, and that would require a lawyer to perform that interpretation.

Q. FTX has no position on that?

A. FTX's position is that that answer can only be provided by an attorney.

Q. What is the -- what is the balance change ID? This is the final column of this tab we are looking at, feel free to flip back up to page 3 of the document, the same document?

A. The balance change ID is not something -- is not a field that I believe I explicitly use in my analysis. Let me just confirm that answer is true.

I do not believe that that column is included in the calculation steps required to derive the figures in my declaration. So I would need to consult with my team.

Q. And to be clear, that wasn't my question, my question is does FTX have a view on what this means independent of whether it was used as part of the

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calculations as you had previously done?

A. I would need to consult with my team to answer that question.

Q. Flip back to the previous page, the LOC underscore changes tab, just one page up from here?

A. Okay.

Q. Yes, perfect, okay.

This notes field, do you see that, notes column?

A. I do.

Q. Is this something that was manually entered by someone at FTX or was it system generated or something else?

A. I do not know specifically how that field was populated at the time.

Q. It was populated at the time, though, and not at a later point in time?

A. I don't have any information to suggest it was created at a later point in time.

Q. The same question for this dest -- excuse me, destination not credited column, second from the end, what is FTX's

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interpretation of that column?

A. Again, I would need to consult with my team to understand the utility of that column in the context of the exchange functionality. I did not use this column or rely on it expressly in my analysis.

Q. What -- now jumping back to the next page, the LOC interest charge's document, one page down?

A. Okay.

Q. What, if any, role did the principal amount listed in the third from the final column play in a customer's, and specifically Three Arrows, overall account balance?

A. The manner in which my team calculated account balances is, as I have testified to several times, was to use Python scripts to calculate the figures in my declaration, using -- querying the raw exchange database directly. I then used these documents to verify, confirm the accuracy. That was one way I confirmed the accuracy of those figures. I did not use

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the principal column in the process of doing that.

Q. What role, if any, did the drawn amount of Three Arrows line of credit play in its overall account balance?

A. The account balance would be net of the utilized amount of the line of credit.

Q. What do you mean net of?

A. You would subtract the utilized amount of the line of credit.

Q. From what to get to what?

A. You would add up all of the positions in the account, including any borrow positions from the peer to peer program and then subtract the utilized amount of the line of credit.

Q. To get to the overall account balance?

A. To get to the total account balance.

Q. The face value, total face amount of the line of credit, does that factor into the overall account balance or only the

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1 S. COVERICK

2 utilized amount of it?

3 MR. GLUECKSTEIN: Objection to the  
4 form.

5 A. It is my understanding that it is  
6 the utilized amount of the line of credit  
7 that would be netted from the account  
8 balance.

9 Q. If you subtract the utilized  
10 amount of line of credit from the account  
11 balance, does that mean it is part of the  
12 U.S. negative dollar amount, why are we  
13 subtracting?

14 A. It was separate from the negative  
15 USD balance when the exchange was  
16 functioning. The exchange delineated  
17 between the amount drawn from the line of  
18 credit, as well as the negative USD balance  
19 from the borrow program.

20 Q. So then does -- does that mean it  
21 is FTX's position that the overall account  
22 balance is not a net sum of all the asset  
23 entitlements, but also for those who have a  
24 line of credit includes that?

25 MR. GLUECKSTEIN: Object to the

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2 A. I believe that sounds consistent  
3 with what I said.

4 Q. Does -- did Three Arrows US dollar  
5 balance, as presented to it by the exchange  
6 pre-petition, include a subtraction or an  
7 addition of the absolute value of the drawn  
8 amount of the line of credit?

9 A. Well, for one, I don't know what  
10 3AC saw on its API, which I understand  
11 conducted the vast majority of the trades  
12 that 3AC performed. Like many institutional  
13 traders, 3AC used an API to access the  
14 exchange. That was a -- a software that  
15 allowed them to interrogate access to the  
16 exchange with certain systems of theirs,  
17 although I am not familiar specifically with  
18 how 3AC's functioned. So I cannot speak to  
19 how the account balances were specifically  
20 displayed within 3AC's API.

21 On the website the negative USD  
22 balance and the line of credit negative USD  
23 balance were displayed separately from one  
24 another.

25 Q. Let's turn to -- back to the line

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2 form.

3 A. As I state in my declaration, a  
4 function of the line of credit is that it  
5 allowed accounts to utilize the line of  
6 credit prior to borrowing from the borrowing  
7 program, from the margin program. So it  
8 would be treated the same way as the margin  
9 program. It is a borrow on the account that  
10 needs to be included when calculating the  
11 total customer entitlement which is the  
12 total account balance.

13 Q. But that borrow is not reflected  
14 in the negative US dollar balance as you  
15 have been using and as FTX has been using  
16 that term?

17 A. It is -- that is for purposes of  
18 analysis. It could be aggregated in a  
19 number of different ways. The line of  
20 credit is a negative USD amount on the  
21 account balance.

22 Q. You testified yesterday that  
23 customers were shown I believe a balances  
24 for each fiat currency including the US  
25 dollar balance; is that correct?

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2 of credit document which was I believe the  
3 previous exhibit, Exhibit 20.

4 Are you there?

5 A. I have the exhibit, yes.

6 Q. Take a look again at that section  
7 5 on the first page?

8 A. Okay.

9 Q. It says, Throughout the lifetime  
10 of the line of credit, at least 200 percent  
11 of the line of credit (Collateral) must be  
12 maintained in the borrower's FTX account.

13 Do you see that?

14 A. I do.

15 Q. Collateral is capital C  
16 collateral?

17 MR. GLUECKSTEIN: Objection to the  
18 form.

19 Q. Is that a yes?

20 A. Yes.

21 Q. What does that mean in FTX's view?

22 A. It is my understanding they are  
23 referencing the account value, which they  
24 refer to as maintained in the borrower's FTX  
25 account.

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I just wanted to make sure the record is clear as to a point we were just discussing on maintenance margin requirement that we were -- we had just been looking at paragraph 14 of your declaration. Let's turn back there for a brief moment. This was the supplemental declaration?

A. Yes, sir.

Q. If the line of credit requirements had been complied with by Three Arrows on the three dates you have set out in that paragraph, would the face value or drawn amount of the line of credit have been added to the margin -- margin trading account value?

MR. GLUECKSTEIN: Objection.

Q. Using the code?

MR. GLUECKSTEIN: Object, calls for a legal conclusion.

A. From a financial perspective, to analyze that hypothetical scenario I would need to understand all of the various aspects of the account that would cause the account to be in compliance with the line of

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Q. If \$120 million were added by stipulation to each value in the margin trading account value here, is the margin trading account value above the maintenance margin level?

A. If absent all of the other caveats that I just described, because there would be other factors that must be different in the account for that to be the case for -- for 120 million to be added. But if you simply added, for example, 120 million to 75 million, that would get you to, I believe, 195.4 million, which is mathematically higher than 86.8 million, which is the calculated maintenance margin requirement. But again, there would be other factors in the account that must be different for FTX to have stipulated or for the line of credit to otherwise be in compliance.

Q. If the line of credit were complied with and the line of credit document were in operation on each of these dates, would Three Arrows be in compliance

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credit requirement, as many of those components would also be factored into the overall maintenance margin requirement. So it is not possible for me to answer that hypothetical question.

Q. And even if there is a stipulation that the line of credit requirement was in full compliance, you still -- FTX still has no view of whether or not that should be -- that would be added properly to the margin trading account value?

MR. GLUECKSTEIN: Objection, misstates the testimony, calls for a legal conclusion.

A. I would need to know all of the aspects of what resulted in that stipulation to be able to answer that question.

Q. The drawn amount of the line of credit on each of these dates was 120 million; is that correct?

A. Mechanically in the exchange database, the drawn amount on the line of credit at 9:00 a.m. on 6/13 and 10:00 p.m. on 6/14 was \$120 million.

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the maintenance margin requirement.

MR. GLUECKSTEIN: Object to the form.

A. Can you repeat the question, because it sounded like the same question I just answered. I am sorry if I am misunderstanding.

Q. If -- if the line of credit on each of these three dates was not absent or removed, would Three Arrows margin trading account value be above its maintenance margin level?

MR. GLUECKSTEIN: Objection to the form, asked and answered.

A. Let me try my answer differently, because I believe I just answered that. Mechanically in the exchange database, the removal of the line of credit simply caused FTX -- or I am sorry, the 3AC accounts to resort to borrowing from the peer to peer borrowing program as opposed to borrowing from the line of credit. That is mechanically what would have happened.

Had that removal mechanically

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happened prior to -- had it -- had the line of credit been removed prior to series of manual liquidations that were performed, it would have triggered the risk engine or auto liquidation engine that we were just discussing immediately, because the account would have immediately in the code been recognized as out of compliance, which as I testified, was the trigger point for that occurring.

Q. So the drawn amount of the line of credit is not then borrowing from the peer to peer margin program?

A. No, as I state in my declaration, a function of the line of credit is to borrow from the line of credit prior to borrowing from the peer to peer borrowing program.

Q. And that's borrowing from FTX as the lender of the line of credit?

A. I believe the borrower/lender relationship from a legal perspective is a legal question that I am not qualified to answer. Mechanically, though, it was not

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defined as borrower, and FTX Trading Ltd. which is defined as lender.

Q. Any other parties to this document?

A. Again, I understand parties to a document to constitute a legal term. I am not aware of any other parties that are referenced in the document.

Q. Any other parties that FTX takes the view are parties to this document beyond those referenced here?

MR. GLUECKSTEIN: Objection, calls for a legal conclusion.

A. I am not aware of any additional parties that are referenced in this document, other than the only other name I see in this document is the name on the signature line.

Q. Are you referring to Kyle Davies?

A. Yes, sir.

Q. And that's Three Arrows Ltd.?

A. Under the Three Arrows Ltd. signature block, yes, sir.

Q. I should have said Three Arrows

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borrowed from the pool of lenders in the peer to peer borrowing program. That amount was not what the line of credit was -- was in place.

Q. Sure. Let's turn back to Exhibit 20, this is the line of credit document.

Who were the parties to this document, if any?

A. It -- I am not a lawyer. So I am not qualified to interpret who the parties are. I can read the names on the top of the page, but I don't know how to -- I am not qualified to analyze who the parties may or may not be. But I can read the names at the top of the page.

Q. Yeah, why don't you do that for the record, read the names at the top of the page and how they are defined, please?

A. The top of the page reads, This line of credit agreement is made as of this 30th day of March 2022 defined as the "Line of Credit Agreement" by and among Three Arrows Capital Ltd. of ABM Chambers 2283, Road Town, Tortola, BVI, VG1110, which is

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Capital Ltd.

Let's turn back to Exhibit 22.

Have you seen this document before?

A. I have.

Q. In connection to your deposition preparation?

A. Yes, sir.

Q. And is this another one of those informational or help pages you had spoken about yesterday?

A. Yes, sir, that's my understanding.

Q. And what, if any, position does FTX take on the presence of this document on FTX's website as of April 4, 2022 or at any other point in time?

A. I have no reason to believe that it wasn't posted on the website as of that date it is listed.

Q. But it doesn't -- but FTX doesn't no for sure?

A. I have no reason and no evidence to believe that it was not posted on the website as of that time.

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2 Q. So this document, is this -- does  
3 this relate to the liquidation or risk  
4 engine we were talking about earlier?

5 A. Among other things, it appears  
6 to -- to reference aspects of the  
7 liquidation process, yes.

8 Q. Are there other processes that  
9 it -- that it references?

10 A. Related processes. There is a  
11 reference in here to the back stop liquidity  
12 provider program, which -- and then an  
13 insurance fund, which are -- are other  
14 aspects of the exchange that function in  
15 relation to liquidation scenarios.

16 Q. This document references a  
17 three-step process for liquidations, do you  
18 see that?

19 A. Yes.

20 Q. And the first step is, We, FTX,  
21 first closed down positions with rate  
22 limited liquidation orders in the market?

23 A. I see that.

24 Q. In the market, what does that  
25 mean?

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2 algorithm worked is that once a account was  
3 out of compliance with the maintenance  
4 margin requirement, there was a process by  
5 which positions that were available to be  
6 sold within the context of the account,  
7 liquidated in the account, would be sold to  
8 bring the account back in compliance with  
9 the maintenance margin requirement.

10 Q. And FTX was the one doing that  
11 selling?

12 A. The underlying exchange base -- or  
13 the underlying code base, sorry, of the  
14 exchange, conducted those transactions in  
15 the event of an auto liquidation. Again,  
16 these transactions are simply ledger entries  
17 on the exchange ledger, and do not result in  
18 the movement of any other assets, either  
19 fiat or digital assets.

20 Q. Why did FTX care if an account  
21 dropped below its maintenance margin  
22 requirement?

23 A. I cannot speculate as to what the  
24 pre-petition management team cared about.  
25 As a practical matter, it is my

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2 A. I don't know the intent of the  
3 author that wrote this document.

4 Q. On page 2 of this document, it  
5 says, I am reading the second full sentence,  
6 The goal of the liquidation engine is to  
7 carefully close down positions in the market  
8 while minimizing impact keeping markets  
9 orderly?

10 A. I am sorry, what -- where was  
11 that?

12 Q. Sure, the second full sentence, do  
13 you want to read that?

14 A. Of page 2?

15 Q. Correct.

16 A. Oh, I see.

17 Q. Just let me know when you have had  
18 a moment to read that.

19 A. Okay, I have read it.

20 Q. How did the liquidation engine  
21 assist in keeping markets orderly?

22 A. Well, while those are the words on  
23 the page, again, I don't know the intent of  
24 the author that wrote them. My  
25 understanding of how the liquidation

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2 understanding that the utility on the  
3 exchange of the maintenance margin  
4 requirement was intended to prevent accounts  
5 from going negative and being a debtor  
6 position to the exchange.

7 Q. Is that something that FTX strived  
8 to avoid?

9 A. FTX -- the FTX exchange as it  
10 operated pre-petition had measures in place  
11 to avoid accounts from going negative.

12 Q. Why did it care if accounts went  
13 negative?

14 A. I don't know why the pre-petition  
15 management team would care about something  
16 or not.

17 Q. What is -- from a business person  
18 perspective economically, what reason would  
19 FTX have for taking certain measures to  
20 prevent accounts from going negative?

21 A. Again, I can't speculate as to the  
22 intent of the pre-petition management team.  
23 As a business person, I can speculate that  
24 one reason conceivably that the exchange  
25 would want to avoid customers incurring

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occurring debt is because they wanted the exchange to be an attractive place for customers to trade. And if customers were routinely incurring debts on account of levered positions, they would likely not want to continue to trade in the exchange. That's just one potential reason from a business person's understanding. But I cannot speculate as to all the of the reasons the pre-petition management team might have considered when not wanting accounts to go negative or not -- or putting measures in place rather to prevent accounts from going negative.

Q. And just for the record, the same answer on behalf of the FTX Recovery Trust?

A. That answer is to the best of my knowledge.

Q. When you say debit -- strike that.

When you said debts, wanted to avoid customers incurring debts, are you referring to debit balances or negative account balances or something else?

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liquidity provider system kicking in, or I should say will kick in, let me know if you see that?

A. Yes, sir, I do see that.

Q. What is the back stop liquidity provide -- provider system?

A. Sure. I believe I touched on it a bit yesterday, so apologies if -- if I am being repetitive. But the back stop liquidity provider program involved a series of market makers on the exchange that specifically wanted to opt in to the back stop liquidity provider program. Their role on the exchange was to effectively ensure the -- the balance, if you will, of the futures product on the exchange. And they stepped into certain transactions only with regard to the closing of future contracts during an account's liquidation. When accounts were liquidated by the liquidation engine or risk engine, the algorithm, if you will, that underlied that process on the exchange, that included both sale transactions of -- of assets in the account

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A. I think it is safe to say those three things are the same. A negative account balance, as we discussed yesterday, can also be described as a debit account balance, which would also be a debt to the exchange.

Q. Any other reasons why from your business person in FTX's position today the exchange would have wanted to prevent those things?

MR. GLUECKSTEIN: Objection to the form.

A. Again, I can't speculate to all of the reasons that might have been considered, because I wasn't there at the time.

Q. There may have been others?

A. There may or may not have been others. And the one I referenced is my speculation of a potential consideration. I certainly cannot testify that that is what management was considering at the time.

Q. Step two of this document, this is on the bottom of the same page we are looking at, refers to the back stop

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or asset entitlements in the account, asset positions in the account as well as potentially closing open future positions on the account.

As I mentioned yesterday, certain future positions, certainly like the ones that 3AC entered into, namely, bitcoin perpetual futures, had a high volume of trading on the exchange. There were a lot of market participants, and in most, if not all, scenarios, there were typically willing participants or other third-party customers on the other side of -- of a transaction that anyone wanted to perform.

So for example, if a long bitcoin perpetual position was being closed as part of a liquidation, it is likely that the matching engine of the exchange would be able to find another customer that wanted to step into that position, so that whoever the other counterparty to the original position was, would not have to be, you know -- would not have to have their contract closed out. So that's what I talk about when I say the

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2 of the exchange.

3 Q. That's FTX's exchange we are  
4 talking about?

5 A. Yes, sir.

6 Q. It is a fund, it is an FTX fund of  
7 some kind?

8 A. It was not a segregated fund like  
9 all other things. This was something that  
10 was maintained on the exchange ledger in the  
11 sense that the auto close transactions I am  
12 discussing were recorded on the exchange  
13 ledger.

14 Q. How much did -- did the insurance  
15 fund extend to cover customer account losses  
16 pursuant to this process?

17 MR. GLUECKSTEIN: Objection to the  
18 form.

19 A. Answering that question would  
20 require my team to perform additional  
21 analysis that I haven't performed.

22 Q. It was some positive number?

23 A. Again, that would require my team  
24 to perform additional analysis that I  
25 haven't performed.

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2 provider fee, Alameda -- Alameda  
3 theoretically would have been paid that fee  
4 by the insurance fund. But I cannot confirm  
5 if there are circumstances where that  
6 happened. That's just theoretically how it  
7 would work like any other back stop  
8 liquidity provider.

9 MR. PROULX: Let's give you a new  
10 document, please. This is 23.

11 (Whereupon, a document entitled  
12 FTX Advisory Board Meeting for  
13 September 19, 2022 was marked Coverick  
14 Exhibit 23 for identification as of  
15 this date.)

16 Q. Mr. Coverick, you have been handed  
17 what has been marked as Exhibit Number 23 it  
18 is a document produced by FTX in this  
19 litigation. It is entitled FTX Advisory  
20 Board Meeting for September 19, 2022.

21 Are you familiar with this  
22 document?

23 A. I believe I have seen it. I have  
24 not studies it to a level of detail that  
25 would allow me to analyze it.

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2 Q. Did the insurance fund also have  
3 a -- any sort of favorable pricing that they  
4 received, fees that they received, other  
5 economic incentives to act in that capacity?

6 MR. GLUECKSTEIN: Objection to the  
7 form.

8 A. The insurance fund was funded as I  
9 described it. I am not aware of other  
10 aspects that would be charged in those  
11 liquidation scenarios.

12 Q. How, if at all, was the insurance  
13 fund related to the Alameda Research?

14 A. Alameda Research was one of the  
15 largest market makers on the exchange. And  
16 I believe they also participated as a back  
17 stop liquidity provider. It is -- it is  
18 possible, but I do not know, because I  
19 haven't analyzed every transaction on the  
20 exchange and I haven't performed the  
21 specific analysis. But if Alameda was a  
22 back stop liquidity provider in a  
23 circumstance where there was not sufficient  
24 account value to -- there was not sufficient  
25 account value to pay the back stop liquidity

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2 Q. Have you seen it in connection  
3 with your deposition preparation?

4 A. I believe I have seen it as a  
5 document that was produced to 3AC.

6 Q. If you can turn to page 3 of this  
7 document, there are highlights, do you see  
8 that?

9 A. I do.

10 Q. What is the FTX Advisory Board?

11 A. I do not know.

12 Q. Page 3 of this document, you will  
13 see a reference to Three Arrows under item  
14 number one, do you see that?

15 A. I do.

16 Q. Specifically under 1(a) Romanette  
17 1, Three Arrows Capital was a large trader  
18 on FTX. The FTX risk and liquidation engine  
19 liquidated them to close the account at zero  
20 dollar exposure.

21 Do you see that?

22 A. I do.

23 Q. Zero dollar exposure to whom?

24 A. I do not know the intent of the  
25 author of this document nor have I verified

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A. Again, I am speaking of third-party customer accounts, parties not affiliated with FTX, like 3AC or other third-party customers. As a general policy, and as I say in my declaration, FTX generally did not permit accounts, the operative word being "permit," to go negative other than -- I know it is in the declaration somewhere, other than certain affiliated accounts or something to that nature.

Q. Do you have a sense of Alameda's negative account balance as of the petition date?

A. I believe that's reflected in -- that's reflected in the plan. I don't want to misquote it, but it is somewhere. It is in the billions.

Q. Some of that account balance, was that accrued by virtue of borrowing from lending customers in the margin program?

A. I believe that's true, yes.

Q. What happened with those lending customers -- sorry, what happened with the

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lending customers' entitlements or ledger entries that had been lent out pursuant to that program, how, if at all, were they repaid?

A. FTX filed for Chapter 11 bankruptcy and over the course of a couple of years negotiated a plan pursuant to the bankruptcy code. And they are currently being repaid by the FTX Recovery Trust.

Q. I am going to turn back to a document that we were discussing a moment earlier, this is the line of credit document at Exhibit 20?

A. Okay.

Q. I just want to understand, start how interest payments work pursuant to this document. I see in section 4 on page 1, it says, Funds advanced through the line of credit will bear interest at a rate of 5 percent per annum payable daily at approximately 30 UTC and calculated only in respect of that portion of the line of credit then being utilized.

I may have misread a portion of

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that, but I hope that's largely correct?

A. I -- I see that, yes.

Q. Was Three Arrows, in fact, charged interest on this line of credit?

A. That's my understanding, yes.

Q. Who, if anyone, did it pay that interest to?

A. It is my understanding that that interest was paid. I don't know the exact account, but that interest was paid to an FTX affiliated account on the exchange ledger.

Q. Do you -- do you see on page 2 of this document, there is this term in this -- in this new -- new portion of this document under the title FTX institutional customer margin and line of credit agreement?

A. I do.

Q. There is this term indebtedness that is defined formally, do you see that?

A. I do.

Q. What is FTX's view on the meaning of the term indebtedness?

MR. GLUECKSTEIN: Objection, calls

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for a legal conclusion.

A. I am not a lawyer, so I can't opine on the meaning of a defined term in a legal document.

Q. We got an answer a lot from you over the course of the last couple of days, Mr. Coverick. I am not asking you in your individual capacity as a lawyer, I am asking you as a representative of the FTX Recovery Trust, same answer?

A. I am sorry for providing that answer so frequently, but I must provide it because it is true. I am not a lawyer and I can't provide legal opinions or interpretations.

Q. The same answer as to the interpretation of the interest rate as applied to indebtedness on the next page, looking at the section 5 on page 3?

MR. GLUECKSTEIN: Object to the form, calls for a legal conclusion.

A. Yes, sir, the same answer. And I will supplement it with I can only verify what my team has analyzed and seen on the



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A. A locked token in the -- in the traditional sense is a token that cannot be sold. It is similar to the concept of something vesting, if you will. Locked tokens are often issued as part of early -- issued to early investors in a token project. But to prevent all of those investors from immediately selling their tokens and potentially decreasing the price of those tokens, token issuers often provide locking schedules whereby customers can't sell those tokens for some period of time.

The FTX exchange also incorporated a similar concept, although those -- those were ledger only entries as opposed to traditional locked tokens are actually locked on the block chain.

Q. Amended doc 38, was this prepared by A & M as well?

A. Amended dock 38 was prepared by A & M as well.

Q. When was it prepared by A & M?

A. To my understanding, it was prepared just prior to being produced to the

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A. I don't have a full reconciliation committed to memory. But the notional value of futures was approximately \$576 million, I believe. And then the negative or the deposit in question was \$24 million. I am not sure specifically how the other minor changes impacted the change in USD balance, but those would have been the biggest two drivers.

Q. Did you rely on amended doc 38 in preparation of your original declaration?

A. In preparation of my original declaration I believe I reference the amended doc 38.

I am sorry, I need to find the -- maybe I am -- maybe I am thinking about my supplemental declaration. I -- I cannot recall specifically at what point in time the amended doc 38 was completed.

Q. Was it largely completed, substantially completed at the time of your June 20 2020 -- 21st declaration?

A. In substance doc 38 is effectively the output of all of the steps that I lay

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joint liquidators. I don't know the exact date.

Q. I am happy to make a representation that it was August 25, 2025, no reason to dispute that to your knowledge?

A. I will take your word for it.

Q. Had it been created at the time of the claim objection filed by FTX on June 20 of 2025?

A. The completion of amending doc 38, I don't know exactly when that specific document began being updated. I understand that it didn't happen instantaneously. But the creation or completion of doc 38 did not have any bearing on the filing of the claim objection in terms of the underlying analysis. I believe it is a clarifying point that there were things in the original doc 38 that the understanding of has evolved since.

Q. A clarifying point to the tune of how -- how many -- how much of a difference with respect to the negative US dollar balance across the two documents?

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out in my supplemental declaration, which as we have discussed, are consistent with how my team derived the figures in my declaration. From that perspective the core analysis that is reflected in doc 38 had been done and the product of that was my declaration.

I do not recall specifically when the amended doc 38 was completed. I am sure I could -- that that information would be attainable, but I don't have it committed to memory.

Q. Did amended doc 38 rely on any underlying data that original doc 38 did not?

A. I am sorry, can you repeat the question, just so I can try and answer accurately.

Q. Did amended doc 38 rely on any underlying data that original doc 38 did not?

A. To my knowledge only with respect to pricing information that I -- that I mentioned. I am not -- I can't immediately

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2 the record, please.

3 THE VIDEOGRAPHER: Off the record.

4 The time is 3:17 p.m.

5 (Whereupon, an off-the-record  
6 discussion was held.)

7 THE VIDEOGRAPHER: We are back on  
8 the record, the time is 3:15 p.m.

9 Q. Does FTX assert that it was, in  
10 fact, a specific person at Three Arrows who  
11 conducted these trades as opposed to some  
12 sort of automated process implemented by  
13 Three Arrows?

14 A. Either are possible. However, if  
15 an automated process such as a trading  
16 algorithm were involved in conducting those  
17 trades, a person at some point would have  
18 had to create that algorithm thereby being  
19 the person traceable to those trades being  
20 conducted if it had to be traced to a  
21 person.

22 Q. Does FTX have a view on whether at  
23 a -- for the quantity of this number of  
24 trades over 52,000, it would have been an  
25 individual versus that kind of logarithm?

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2 Q. Yes, you referenced further  
3 analysis, is that meant to imply that some  
4 analysis has been done as to who the  
5 counterparties of those trades were by Three  
6 Arrows?

7 A. I am not aware of specific  
8 counterparty tracing analysis on these  
9 52,000 trades. I am not aware if that  
10 specific analysis has been done.

11 (Whereupon, a document titled  
12 Supporting Analysis for the Three  
13 Arrows Capital Discussions was marked  
14 Coverick Exhibit 30 for identification  
15 as of this date.)

16 Q. Mr. Coverick, you have been handed  
17 Exhibit 30?

18 A. Yes, sir.

19 Q. This is titled Supporting Analysis  
20 for the Three Arrows Capital Discussions,  
21 dated draft October 25, 2023, with Alvarez &  
22 Marsal and Sullivan & Cromwell identified on  
23 the title page.

24 Do you recognize this document?

25 A. I do.

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2 A. FTX, to the best of my knowledge,  
3 does not have information regarding  
4 specifics of the Three Arrows Capital API,  
5 which would have been the aspect of their  
6 access to the exchange that would conduct  
7 algorithmic trading. So FTX does not have a  
8 view as to how much of the trading was done  
9 via automated process versus manual process.

10 Q. Who were the counterparties to the  
11 trades referenced in this paragraph 68?

12 A. The counterparties were likely  
13 many different customers, certainly for this  
14 number of trades. I do not have an  
15 accounting for the various counterparties by  
16 hand.

17 Q. Do you -- does FTX know the  
18 identities of any particular customers who  
19 were counterparties to these trades?

20 A. For the 52,000 trades in question,  
21 that would require further analysis that my  
22 team has not done.

23 Q. Further analysis or any analysis?

24 A. I am sorry, can you clarify the  
25 question?

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2 Q. What is this?

3 A. I would characterize this as a  
4 very preliminary presentation as the header  
5 of the document reflects, I believe, on  
6 almost every page. This was a presentation  
7 created by junior members of the A & M team  
8 during the verification analysis of the 3AC  
9 claim.

10 Q. Does that include Mr. Gordon?

11 A. I do not know if Mr. Gordon  
12 specifically participated in the preparation  
13 of this document. But it is my  
14 understanding that it was referenced in his  
15 deposition.

16 Q. Jump to page 12, please.

17 There is a statement here, On  
18 June 13, 2022, 3AC sold out of many spot and  
19 futures positions totalling over  
20 1.08 billion. There were over 1,000  
21 accounts on the buy side of Three Arrows'  
22 trades, debtor accounts representing 8.0  
23 percent of the total trade value.

24 Do you see all that?

25 A. I do.

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Q. What debtor accounts does this refer to?

A. I am not familiar, although I have seen this document and reviewed it. I am not relying on it in any way. As I described, it was a very preliminary analysis. And I -- I base my testimony in my declaration and all the preparation for my deposition on our team's latest thinking and understanding of the information relating to 3AC's account, which this does not reflect.

Q. Yeah, I wasn't asking anything about your declaration in preparation for the deposition, I was simply asking if FTX knows or has a position on whether debtors accounts were counterparties to the trades on June 13?

A. Given I have not spent time analyzing this preliminary draft and did not review it at the time, I have not developed any further understanding other than what the words on the page say. I have not analyzed or supervised the analysis of

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Q. Certain trades with Three Arrows?

A. Yes, sir.

Q. Do you know the quantity of such trades?

A. I do not.

Q. The value in dollar terms of such trades?

A. I do not.

MR. GLUECKSTEIN: Objection to the form.

A. I do not have the specifics of 3AC's trading history with Alameda prior to June 14 committed to memory.

Q. Do you know if Alameda more generally was a lender under the margin program?

A. While I am not aware and have not committed to memory all specifics of Alameda Research's account, I understand that they were a borrower in the margin program.

Q. My question was a little bit different, it was whether they were a lender in the margin program?

A. I understood the question. I am

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debtors accounts involved in 3AC's trades on June 13.

Q. Who has?

A. Who has what?

Q. Done that analysis, there are numbers here 8.0 percent, yes?

A. I understand this was completed by members of Mr. Gordon's team. Mr. Gordon does report to me, but I was not involved at the time this document was created.

Q. You are aware, are you not, that this document is referenced in the deposition topics you were designated for today?

A. I am.

Q. Is Alameda one of the debtor accounts or debtor affiliated accounts that was a counterparty to any trades prior to the liquidation on June 14?

A. I have not confirmed. But I believe based on conversations with my team that from time to time Alameda would have been the counterparty to certain trades prior to June 14.

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saying I understand they were to be a borrower and had a large borrow balance. Whether or not they had certain tickers in which they were lending, I do not have committed to memory.

(Whereupon, a slipsheet was marked Coverick Exhibit 31 for identification as of this date.)

Q. Mr. Coverick, you have been handed Exhibit 31, this is what is called a ship sheet. It reflects a production by FTX of a document in native format. We are opening up this document on the laptop, do you see it?

A. Yes, sir, I do.

MR. PROULX: Opposing counsel, I just want to make sure you can see it as well?

MR. GLUECKSTEIN: Yes, I can counsel, thank you.

Q. You will see there is a -- there are two tabs in the bottom of this spreadsheet, borrows and lends, do you see those?

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2 Arrows' accounts?

3 MR. GLUECKSTEIN: Object to the  
4 form.

5 A. I am -- I have not reviewed or  
6 committed to memory the entirety of 3AC's  
7 account history, although I understand it is  
8 in the documents that underlie my  
9 declaration. But I have not personally  
10 examined every point in time. I am not  
11 personally aware of an auto liquidation  
12 occurring on the 3AC accounts. But I would  
13 need my team to perform that analysis or  
14 speak to my team to confirm that it never  
15 happened. I am not aware of it happening,  
16 though.

17 Q. Prior to 10:29 p.m. UTC we are  
18 talking about, June 14?

19 A. Correct.

20 Q. What is FTX's position? Any  
21 different than what you just testified to?

22 A. I suppose FTX's position would be  
23 that I am personally not aware of those.  
24 But the FTX position would be that whatever  
25 the exchange ledger reflects is what

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2 declaration say?

3 MR. GLUECKSTEIN: Object to the  
4 form.

5 A. My declaration says an additional  
6 1 million in assets were then auto  
7 liquidated by FTX starting at 10:47 p.m.

8 And that is part of paragraph 77,  
9 which references the 82 million of  
10 liquidations that occurred on this -- on  
11 this date, which seems consistent with the  
12 figures on page 28, of this other document.

13 Q. Is FTX aware of a method of  
14 blocking the triggering of the automatic  
15 liquidation process if it were to otherwise  
16 be triggered?

17 A. Yes. As I testified earlier,  
18 there were settings in the account that can  
19 be turned on to prevent the auto liquidation  
20 engine from being triggered.

21 Q. Were those settings ever turned on  
22 with respect to Three Arrows?

23 A. Not to my knowledge.

24 Q. Why -- why was 82 million  
25 approximately liquidated in terms of the

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2 happened.

3 Q. And so how much was liquidated  
4 following LOC reversal in an auto  
5 liquidation capacity in value, spot margin  
6 asset value?

7 MR. GLUECKSTEIN: Object to the  
8 form.

9 A. I am sorry, is that different than  
10 what we just discussed?

11 Q. You may have, and I am not looking  
12 at your declaration, maybe I should, just to  
13 -- I am just trying to do the math on the  
14 fly here, looking at the same document that  
15 we have open between 82 million and change  
16 and 81 million and change.

17 Do you have -- does FTX have an  
18 opinion as to the amount of the -- of  
19 digital assets auto liquidated?

20 A. Between the time periods  
21 referenced in paragraph 77?

22 Q. No, I am still looking at the same  
23 document that we were discussing. Let's  
24 return to your declaration.

25 Okay, well, what does your

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2 value of digital assets, why not 70 million  
3 or 90 million?

4 A. Sure. As I mentioned earlier,  
5 the -- the general process that the auto  
6 liquidation followed was to attempt to bring  
7 an account balance back in compliance with  
8 the maintenance margin requirement. In my  
9 supplemental declaration, the table we have  
10 referenced a few times where I list the  
11 three time periods, you will see that  
12 following the auto liquidation, so at the  
13 end of day on 6:14 or beginning of day,  
14 6:15, 3AC's account remained out of  
15 compliance with the margin maintenance  
16 requirement. This is due to the fact that  
17 the remaining spot assets in 3AC's account  
18 were locked as we discussed earlier and  
19 could not be sold at the exchange via the  
20 auto liquidation process.

21 Q. At what point in time were Three  
22 Arrows' accounts locked?

23 A. What do you mean by accounts  
24 locked?

25 Q. That's a fair point. Reading the

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2 identification as of this date.)

3 Q. Mr. Coverick, you have been handed  
4 Exhibit Number 32.

5 This is a set of discovery  
6 responses from the FTX Recovery Trust,  
7 including certain responses to  
8 interrogatories issued by the joint  
9 liquidators.

10 Are you familiar with this  
11 document?

12 A. Yes, sir, I am.

13 Q. And in fact, you verified the  
14 interrogatories in this document --  
15 interrogatory responses I should say?

16 A. Yes, sir.

17 Q. On page 39, there is an  
18 interrogatory. I am sorry, I misspoke, on  
19 page 39, yes, page 39, there is an  
20 interrogatory, it is number 5, it is a bit  
21 lengthy. Feel free to read that question  
22 and let me know when you have done so?

23 A. Yes, sir I have read it.

24 Q. Thank you, sir, I appreciate that.  
25 You will see at the very end of FTX's

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2 And so -- as well as other -- other  
3 considerations a counterparty might have  
4 regarding taking size of that nature on top  
5 of considerations on the speed in which the  
6 transactions were intended to be conducted  
7 in or the time period over which the  
8 transactions were intended to be conducted  
9 over. So I do not know -- I am not able to  
10 conduct an analysis of fair market value  
11 without knowing those other factors.

12 Q. Has FTX endeavored to assess the  
13 price of the assets sold out of --  
14 liquidated out of Three Arrows' accounts  
15 relative to those of sales involving the  
16 same digital assets in the same period?

17 A. To -- I would characterize it  
18 differently, there were no assets that were  
19 sold out of 3AC's accounts. Again, the  
20 transactions were on ledger transactions  
21 that were value neutral, meaning the -- the  
22 value of the spot position was equal to the  
23 value of the USD position that was received.  
24 So the total account balance did not change  
25 at the moment of those transactions.

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2 recovery trust response, it says, Liquidated  
3 assets were sold to the applicable  
4 counterparty at applicable prices.

5 Do you see that part?

6 A. I do.

7 Q. So let's take that in turn  
8 starting with applicable prices, what does  
9 that mean?

10 A. The prices at which those  
11 transactions were transacted at, so the  
12 price for each of these tickers in the  
13 transaction.

14 Q. How was that price set for the  
15 liquidation transactions?

16 A. I do not know.

17 Q. Do you know whether it was at fair  
18 market value or not?

19 A. To understand what fair market  
20 value is would require me to be able to  
21 analyze the current market for  
22 cryptocurrency at the time, and take other  
23 factors into account such as the size of the  
24 positions being liquidated relative to the  
25 liquidity of the market for each ticker.

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2 Due to the limitations that I --  
3 that I just discussed, FTX has not been able  
4 to conduct an analysis of the fair market  
5 value of the prices those transactions were  
6 transacted at.

7 Q. Who was applicable counterparty  
8 for those transactions?

9 A. It was Alameda Research.

10 Q. They are among the FTX debtors?

11 A. Yes, sir, they are.

12 Q. And does -- in their capacity as  
13 the counterparty, does that mean that  
14 Alameda received the proceeds of those  
15 liquidation transactions?

16 A. No, again, there were no assets  
17 exchanged in the real world as a process of  
18 these liquidations. In other words, there  
19 was no underlying movement of GBTC -- GBTC  
20 or ETHE, on account of neither of those  
21 assets existing anywhere except the exchange  
22 ledger. And there was no underlying  
23 movement of FTT or ETH on the block chain  
24 related to those transactions. So Alameda  
25 Research did not receive a transfer of

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2 referenced a moment ago?

3 A. Yes, sir, it is.

4 Q. And I will -- this one I actually  
5 won't take responsibility for. This  
6 document was produced to us in a very gray  
7 format. But we have conducted -- extracted  
8 -- put in the extracted text right after  
9 this, so it is clear and easier for everyone  
10 to review it, verbatim rendition of an email  
11 from Zane Tackett on June 14 to Kyle at  
12 Three Arrows Capital.com.

13 Have you seen this document  
14 before?

15 A. Yes, sir, I have.

16 MR. GLUECKSTEIN: I am not really  
17 understanding what counsel said they  
18 did here, but this is not the complete  
19 document.

20 MR. PROULX: Counsel, you are more  
21 than welcome to go into your production  
22 database and confirm whether or not  
23 this is the complete document or not.

24 MR. GLUECKSTEIN: Okay.

25 A. I would just restate my testimony

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2 to clarify that I believe I have seen this  
3 document, but I am not verifying it is the  
4 complete document.

5 Q. And I am not asking that question.

6 A. Understood.

7 Q. The production records will speak  
8 for themselves?

9 A. Okay.

10 Q. Generally speaking, what is FTX's  
11 understanding about what Zane Tackett was  
12 doing in this communication to Kyle on  
13 June 1. And here it does say 11:53 a.m. a  
14 bit different than some of the other time  
15 times that we have been looking at, eastern  
16 time frame, EDT, a bit different than UTC?

17 A. Can I take a moment to read the  
18 email --

19 Q. Yes, of course.

20 A. -- so I can familiarize myself to  
21 it.

22 Q. All the power to you, if you can  
23 read that gray version.

24 Yes, sir, thank you for allowing  
25 me to read it, and I have read it. Of

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2 course, if you need to read a document at  
3 any point, just let me know.

4 In this document, is Mr. Tackett  
5 providing Three Arrows advance notice of  
6 FTX's intent to liquidate potentially its  
7 accounts?

8 A. I don't know what Mr. Tackett's  
9 intent was. I don't know what constitutes  
10 proper notice from a legal perspective given  
11 my lack of qualifications in that area,  
12 which I have repeatedly referenced.

13 I do understand from a business  
14 person's perspective this would constitute a  
15 warning to 3AC of their noncompliance with  
16 various requirements and states different  
17 things that can happen, including the  
18 account potentially being liquidated.  
19 That's the extent of my understanding of the  
20 document that was discovered.

21 Q. FTX, in fact, in its claim  
22 objection, this was previously introduced as  
23 Exhibit 12, refers to FTX's having provided  
24 extensive prior notice to Three Arrows  
25 before initiating the liquidation. I would

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2 be happy to point you to that or you can  
3 take my representation?

4 A. Okay, I will take your word for  
5 it.

6 Q. Any reason -- does FTX have any  
7 reason to dispute that characterization?

8 A. I do not have any reason to  
9 dispute the characterization that this is a  
10 form of notice. I was just clarifying that  
11 I -- I am not a lawyer so I -- I am not  
12 speaking to any form of legal notice.

13 Q. What, if any, actions could Three  
14 Arrows, based on this communication and any  
15 others you have seen, taken to prevent a  
16 liquidation by FTX on June 14?

17 A. There are -- there are a number of  
18 things that -- that could have happened.  
19 The ones that come to mind most immediately  
20 are they could have deposited additional  
21 funds, either fiat or cryptocurrency, into  
22 their account out of the exchange, they  
23 could have de-levered themselves, in other  
24 words, removing open spot ticker exposure.  
25 Those things would have the effect of -- in

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did it again. In general the assets held by the FTX group, the FTX debtors were lower than the aggregate value of claims estimated as of the petition date.

Q. At what other points in time was that analysis conducted with respect to the FTX group?

A. The primary point in time that I can recall was the petition date. I cannot recall specific analyses of prior shortfall calculations as I sit here today.

Q. Did FTX conduct any such analysis again with respect to the FTX group in, for example, June of 2021 -- strike that, I -- I misspoke just then, I meant June of 2022?

A. Okay, I am aware of analysis that was done to look at entitlements in certain coins as compared to assets in the possession of FTX Trading Ltd. I am not aware of an analysis of the comprehensive holdings of assets in June of 2022 for the entire FTX group.

Q. Are you suggesting that you are aware of such an analysis in June of 2022

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specifically with respect to FTX Trading Ltd.?

A. I am aware that my team looked at certain points in time. And I am also aware one of those points in time was June of 2022 with respect to certain coins or certain tickers of customer entitlements as compared to the holdings of FTX Trading Ltd.

Q. What specific tickers, by way of example only, were included in that analysis?

A. I am not aware of all tickers, as I sit here today, that may or may not have been analyzed. I do know, for example, that bitcoin was one of the tickers that was analyzed and reviewed over different time periods. And I also understand that ethereum was another coin that -- that my team has looked at in terms of shortfalls at different points in time.

Q. And what did those analyses show with respect to that comparison in June of 2022?

A. Based on information my team has

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conveyed to me, my understanding is that aggregate customer entitlements in bitcoin exceeded the bitcoin in the possession of FTX Trading Ltd. in June of 2022 -- is that the full question, just bitcoin?

Q. I was asking for an example of a ticker?

A. So for bitcoin there was a shortfall in June of 2022, according to my team's review of the block chain and the -- the exchange ledger.

Q. What about any other tickers, did any of the analyses show that with respect to those other tickers FTX Trading held a surplus of such assets relative to the corresponding customer entitlements?

A. I am not aware of any such surplus. But again, I have not personally reviewed any analysis of all tickers on any such date other than the petition date.

Q. Was ETH or ethereum, I may be mispronouncing that, one of the tickers that were reviewed in the June 2022 period with respect to FTX Trading?

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A. Yes, I believe it was.

Q. What did that analysis show, if anything?

A. My recollection is that that analysis showed where my team's conclusion reviewing the available information was that there were a greater value of the customer entitlements for ethereum than a ethereum in the possession of FTX Trading Ltd.

Q. As part of that analysis, did FTX rely on documents showing the total quantity and amount of customer assets for these digital assets in the June 2022 time period?

MR. GLUECKSTEIN: Object to the form.

A. My team and almost all analyses they perform on the FTX exchange, the source of that -- the source data for that analysis would be the exchange ledger itself.

Q. What other points in time, if any, in April or May of 2022, did FTX conduct these analyses you just referenced?

A. I am not -- I can't recall every specific point in time my team may or may

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S. COVERICK  
DECLARATION

I hereby certify that having been first  
duly sworn to testify to the truth, I gave  
the above testimony.

I FURTHER CERTIFY that the foregoing  
transcript is a true and correct transcript  
of the testimony given by me at the time and  
place specified hereinbefore.

STEVEN COVERICK

Subscribed and sworn to before me  
this \_\_\_\_ day of \_\_\_\_\_ 20\_\_.

NOTARY PUBLIC

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EXAMINATION BY PAGE  
MR. PROULX 5

EXHIBITS

COVERICK EXHIBITS

EXHIBIT LETTER	EXHIBIT DESCRIPTION	PAGE
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19	Document	8
20	Line of credit document 41	
21	Line of credit document 51 produced in native format	
22	Document	93
23	Document entitled FTX 120 Advisory Board Meeting for September 19, 2022	
24	Transcript of testimony 31 given by Samuel Bankman-Fried in his criminal proceeding on October 27, 2023	
25	Responses to the joint 137 liquidators seventh set of interrogatories	

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COVERICK EXHIBITS

EXHIBIT LETTER	EXHIBIT DESCRIPTION	PAGE
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27	Short message report, 175 date range 6/29/2022	
28	Slip sheet	181
29	Document entitled 194 Debtors Responses and Objections to the Foreign Representatives of Three Arrows Capital Ltd.	
30	Document titled 216 Supporting Analysis for the Three Arrows Capital Discussions	
31	Slipsheet	221
32	Set of discovery 250 responses from the FTX Recovery Trust	
33	Native document	256
34	Document	261
35	Document	276
36	Document in native 298 form	

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S. COVERICK  
CERTIFICATE

STATE OF NEW YORK )  
: SS.:  
COUNTY OF QUEENS )

I, RIVKA TROP, a Notary Public for and  
within the State of New York, do hereby  
certify:

That the witness whose examination is  
hereinbefore set forth was duly sworn and  
that such examination is a true record of  
the testimony given by that witness.

I further certify that I am not related  
to any of the parties to this action by  
blood or by marriage and that I am in no way  
interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set  
my hand this 25th day of September, 2025.

RIVKA TROP



**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

FTX TRADING LTD., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 22-11068 (KBO)

(Jointly Administered)

**ERRATA SHEET OF STEVEN P. COVERICK**

I, Steven P. Coverick, have reviewed the transcript of my deposition taken on September 25, 2025 in the above-referenced action, and certify that the same appears to be a correct transcript of the answers given by me to the questions therein propounded, except for the following corrections or changes in the errata below:

Page	Line(s)	Change	Reason
12	18	Change “BTC perp” to “BTC-PERP”	Transcription Error
12	19	Change “BTC perps” to “BTC-PERPs”	Transcription Error
19	17	Change “remain” to “remaining”	Clarification
21	13	Change “generally” to “general”	Clarification
21	23	Change “mimcoins” to “memecoins”	Transcription Error
23	9	Change “deminimis” to “de minimis”	Transcription Error
29	22	Change “for 3AC” to “for the 3AC”	Clarification
37	20-21	Change “understanding the” to “understanding that the”	Clarification

<sup>1</sup> The last four digits of FTX Trading Ltd.’s and Alameda Research LLC’s tax identification number are 3288 and 4063 respectively. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ claims and noticing agent at <https://cases.ra.kroll.com/FTX>.

40	2	Change “wanted” to “and”	Transcription Error
56	18-19	Change “Amazon web services” to “Amazon Web Services”	Transcription Error
64	25	Change “30:51” to “13:51”	Transcription Error
72	15	Change “interrogate” to “integrate”	Transcription Error
86	10	Change “annualized” to “analyzed”	Transcription Error
87	2	Change “June 13 of 2022” to “9 AM on June 13 of 2022”	Clarification
102	11	Change “back stop” to “backstop”	Transcription Error
104	2	Change “a” to “an”	Transcription Error
106	2	Change “occurring” to “recurring”	Clarification
106	10	Change “all the of the” to “all of the”	Transcription Error
108	6	Change “back stop” to “backstop”	Transcription Error
108	10	Change “back stop” to “backstop”	Transcription Error
108	13-14	Change “back stop” to “backstop”	Transcription Error
108	19	Change “future” to “futures”	Transcription Error
109	4	Change “future” to “futures”	Transcription Error
109	7	Change “future” to “futures”	Transcription Error
110	2	Change “future” to “futures”	Transcription Error
110	19	Change “that” to “to that”	Transcription Error
110	20	Change “back stop” to “backstop”	Transcription Error
111	4	Change “teams” to “team’s”	Transcription Error
111	19	Change “back stop” to “backstop”	Transcription Error
112	10	Change “trading” to “traded”	Transcription Error
113	11	Change “back stop” to “backstop”	Transcription Error
113	11-12	Change “back stop” to “backstop”	Transcription Error
113	15	Change “future” to “futures”	Transcription Error

113	20	Change “future” to “futures”	Transcription Error
114	24	Change “back stop” to “backstop”	Transcription Error
115	7	“fee would” to “fee that would”	Clarification
115	10	Change “back stop” to “backstop”	Transcription Error
115	13-14	Change “back stop” to “backstop”	Transcription Error
115	19	Change “nor” to “or”	Transcription Error
115	23	Change “back stop” to “backstop”	Transcription Error
116	6	Change “back stop” to “backstop”	Transcription Error
116	10	Change “back stop” to “backstop”	Transcription Error
116	17	Change “that because” to “because”	Transcription Error
116	19	Change “future” to “futures”	Transcription Error
116	21	Change “future” to “futures”	Transcription Error
117	5	Change “back stop” to “backstop”	Transcription Error
117	14	Change “back stop” to “backstop”	Transcription Error
119	16-17	Change “back stop” to “backstop”	Transcription Error
119	22	Change “back stop” to “backstop”	Transcription Error
119	25	Change “back stop” to “backstop”	Transcription Error
120	7	Change “back stop” to “backstop”	Transcription Error
120	24	Change “studies” to “studied”	Transcription Error
125	15	Change “on” to “in”	Clarification
126	3	Change “to be and” to “to”	Clarification
126	5	Change “loss” to “losses”	Clarification
126	12	Change “of” to “in”	Clarification
126	20	Change “back stop” to “backstop”	Transcription Error
126	22	Change “future” to “futures”	Transcription Error
127	14	Change “future” to “futures”	Transcription Error

129	19	Change “sir, sir” to “sir”	Clarification
134	7	Change “customers” to “customers’ ”	Clarification
135	3	Change “on account of” to “at”	Clarification
135	4	Change “of” to “if”	Transcription Error
135	5	Change “future” to “futures”	Transcription Error
138	20	Change “accounts” to “account”	Clarification
139	7	Change “amounts” to “accounts”	Transcription Error
140	23	Change “in” to “and”	Clarification
142	18	Change “teams” to “team”	Clarification
143	21	Change “debtors” to “debtors’ ”	Clarification
144	5	Change “debtors” to “debtors’ ”	Clarification
145	25	Change “debtors” to “debtors’ ”	Clarification
147	22	Change “on” to “in the”	Clarification
147	25	Change “you” to “we”	Clarification
148	10	Change “debtors” to “debtors”	Transcription Error
149	10	Change “debtors” to “debtors’ ”	Clarification
150	13	Change “There are” to “There”	Transcription Error
158	21	Change “allowed” to “allow”	Clarification
161	14	Change “what” to “what—”	Clarification
162	6	Change “back stop” to “backstop”	Clarification
163	5	Change “researched” to “Research—”	Transcription Error
163	5 – 6	Change “info at Alameda Research” to “info@AlamedaResearch”	Transcription Error
164	23	Change “that that” to “that”	Clarification
166	24	Change “accounts” to “accounts”	Clarification
167	23	Change “realized” to “Realized”	Clarification

183	24	Change “the Genesis cap” to “Genesis Cap”	Transcription Error
184	23	Change “an” to “and”	Transcription Error
187	4	Change “that” to “that on”	Clarification
192	6	Change “future” to “futures”	Transcription Error
192	25	Change “is” to “is—”	Clarification
196	6	Change “that that” to “that”	Clarification
196	24	Change “debtors” to “debtors—”	Clarification
198	20	Change “Three Arrows’ capital” to “Three Arrows Capital”	Transcription Error
199	12	Change “level including” to “level, including ”	Clarification
201	7	Change “to” to “to the”	Clarification
201	11	Change “diminimus” to “de minimis”	Transcription Error
201	18	Change “diminimus” to “de minimis”	Transcription Error
202	4	Change “lock” to “locked”	Clarification
202	7	Change “lock” to “locked”	Clarification
206	21	Change “dock” to “doc”	Transcription Error
210	8	Change “lock” to “locked”	Clarification
215	15	Change “by” to “on”	Clarification
219	2	Change “debtors” to “the debtors”	Clarification
227	16	Change “That’s” to “That’s—”	Clarification
227	25	Change “account’s” to “an accounts”	Clarification
233	2	Change “reach” to “reach a”	Clarification
245	13	Change “6:14” to “6/14”	Transcription Error
245	14	Change “6:15” to “6/15”	Transcription Error
248	11	Change “the” to “then”	Clarification

252	4	Change “nature” to “transaction”	Clarification
259	4	Change “July” to “June”	Clarification
259	6	Change “July” to “June”	Clarification
259	14	Change “are” to “is”	Clarification
260	13	Change “is” to “are”	Clarification
271	24-25	Change “Three Arrows’ capital” to “Three Arrows Capital”	Transcription Error
275	4	Change “are” to “is”	Clarification
275	17	Change “were” to “is”	Clarification
289	6	Change “showed” to “showed—”	Clarification
289	7	Change “was” to “was:”	Clarification
289	9	Change “a ethereum” to “ethereum”	Clarification
291	7	Change “for a” to “for”	Clarification
294	20	Change “with 3AC” to “with the 3AC”	Clarification
304	20	Change “time” to “times”	Clarification

Dated: November 5, 2025

/s/ Steven P. Coverick

Steven P. Coverick

## **Exhibit 17**

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

-----X  
IN RE: FTX TRADING LTD., et al.,

Debtors.

CHAPTER 11

Case No. 22-11068

-----X

DATE: November 19, 2025

TIME: 9:00 A.M.

VIDEOTAPED DEPOSITION of STEPHEN  
HOUSEMAN, held at Latham & Watkins, 1271  
Avenue of the Americas, New York, New York,  
before Rivka Trop, a Notary Public of the  
State of New York.

Magna Legal Services  
866-624-6221  
[www.MagnaLS.com](http://www.MagnaLS.com)



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1  
2 A. No. But nor was anybody that I  
3 know.

4 Q. Did you conduct any specialized  
5 training regarding finance law?

6 MR. GLUECKSTEIN: Object to the  
7 form.

8 A. Any training specific to finance  
9 law?

10 Q. Coursework, anything like that?

11 A. Yeah, I'm trying to think. The --  
12 I selected modules for my undergraduate  
13 degree, and this is getting back a long,  
14 long time, right, that involved aspects of  
15 what you would call finance law. So  
16 international trade, letters of credit,  
17 things like that, so that's undergraduate.  
18 I did the postgraduate master's degree, the  
19 bachelor's of civil law. I'm trying to  
20 remember what I chose to do on the BCL. I  
21 don't think it was finance related, no.

22 Q. Was any of it the legal training  
23 you had on secured transactions?

24 A. No, with a slight caveat because  
25 you choose modules when you are at Bar

1  
2 A. I don't know. And I actually  
3 don't know if they -- if that particular  
4 jurisdiction grants full, full license or  
5 full registration. I know I -- I practice  
6 in various offshore jurisdictions and they  
7 all vary. So Singapore and Dubai, more  
8 specifically the Singapore International  
9 Commercial Court, SICC, and the Dubai  
10 International Financial Center called DIFC,  
11 they would have a rolling annual  
12 registration, rather than ad hoc. And as  
13 long as you renew, then you got it for the  
14 next year, which I did for those. So I just  
15 don't know.

16 Q. As far as you are aware, your only  
17 admission to an Antiguan court is through an  
18 ad hoc practicing certificate?

19 A. That -- that's my best guess.  
20 Okay, I'm trying -- I'm trying to help you.  
21 That's -- that's what I would guess is the  
22 case. I may be wrong and it may turn out  
23 I'm still licensed to practice in Antigua, I  
24 don't know.

25 Q. And that -- that ad hoc admission

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1  
2 school, Barfication courses, it was nice, a  
3 one-year course. You do your post academic,  
4 and I remember choosing modules to do  
5 corporate, company law in corporate finance.

6 Q. You indicate you were admitted to  
7 the Eastern Caribbean Supreme Court for  
8 Antigua in Barbuda and St. Lucia in 2018;  
9 right?

10 A. I believe so, yes.

11 Q. And were you granted an ad hoc  
12 practicing certificate or a full practicing  
13 certificate?

14 A. I'm not entirely sure. I'm  
15 assuming it was ad hoc for the case. I  
16 might be wrong about that, but I -- I think  
17 so.

18 Q. Okay. And am I right that an ad  
19 hoc certificate only allows you to practice  
20 in that particular case?

21 A. That would be my understanding,  
22 but.

23 Q. And are the requirements for an ad  
24 hoc certificate different than for a full  
25 practicing certificate?

1  
2 was in 1Globe Capital?

3 A. It was in Sinovac.

4 Q. Okay. And that matter was about  
5 section 122 of the international business  
6 corporation's act; right, sir?

7 A. Well, there was an application  
8 made under that. My memory is that section  
9 122 confers the rights to go to court, the  
10 remedial right you might call. So I would  
11 be -- I would slightly hesitate to even  
12 saying it concerned that section, and there  
13 were other sections. There were various  
14 arguments in place including the validity of  
15 a poison pill.

16 Q. Do you recall that the case  
17 largely involved that act?

18 A. It -- it did and common-law and  
19 the interplay between that act and  
20 common-law principles in particular around  
21 notice of shareholder meetings and the  
22 ability to alter the -- the agenda for  
23 voting at shareholder meetings which is  
24 common-law.

25 Q. And the International Business

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1  
2 year later to the court of appeal to ask for  
3 revocation of the final anti-suit relief  
4 because the Russian defendant had gone to  
5 the Russian court in the meantime to get an  
6 anti -- anti-suit injunction of a mandatory  
7 nature compelling revocation of the English  
8 courts final anti-suit injunction. So there  
9 was a coder to that case which involved what  
10 I regarded as intellectual sabotage to go  
11 back and undo all the great work from the  
12 previous year, but.

13 Q. So at some point you were no  
14 longer counsel; is that right?

15 A. You never quite know when you are  
16 or you aren't in England because you have an  
17 independent Bar. Some cases you think --  
18 you don't hear from a case for six months  
19 and you think it's settled. It turns out it  
20 hasn't settled and then they need you again  
21 for something urgent. So you don't ever get  
22 told, you know, by the way, Mr. Houseman  
23 this case is finished, they did a deal.  
24 Sometimes you do.

25 Q. And when was it that you came back

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1 to the court of appeal?

2 A. February of this year.

3 Q. Okay, now let's talk about FTX.

4 A. Okay.

5 Q. How did you become, first become  
6 engaged by FTX?

7 A. For this declaration?

8 Q. For any of the opinions you've  
9 have provided. So any of your engagements  
10 for FTX, when did it first start?

11 A. Yeah, I don't know precisely. I  
12 would put it the late part of -- if I can  
13 get my years mixed up here, it's either the  
14 late part of 2023 or 2024. I remember it  
15 being in the last quarter of the -- a year.

16 Q. And what -- what was your first  
17 engagement for FTX?

18 A. They wished to -- Sullivan &  
19 Cromwell working in conjunction with, I  
20 think, Walkers in the BVI had then consulted  
21 to try to find the right person to use the  
22 offshore expertise, wanted to instruct me to  
23 give what started out as one and then became  
24 two expert declarations on aspects of the

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1 IBCA. I know specifically around fiduciary  
2 duties directives.

3 Q. Okay. Were those engagements also  
4 fixed fee engagements like the one we're  
5 talking about today?

6 A. I think, yeah, they must have  
7 been, yeah.

8 Q. Okay. How did that engagement get  
9 started?

10 A. Similar contact from the -- from  
11 the Sullivan & Cromwell team here, with the  
12 Walkers BVI team, are you free, can you help  
13 on this.

14 Q. Do you recall when that outreach  
15 happened?

16 A. October, the second half of  
17 October.

18 Q. Of this year?

19 A. Yes. Mr. -- Mr. Webster's  
20 declaration is 21 October, his original one,  
21 wasn't it?

22 Q. So was -- was the outreach after  
23 Mr. Webster's declaration was issued?

24 A. Yeah, it must have been.  
25

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1 Q. Okay. And what's your  
2 understanding of the scope of your  
3 engagement?

4 A. My understanding is I am engaged  
5 to give expert evidence on Antiguan law,  
6 which for these purposes is the same as  
7 English law, as to the principles applicable  
8 to the attachment and perfection of  
9 possessory and non-possessory security  
10 interests over digital assets and rights to  
11 participate in pools of them. But there's a  
12 very important premise that I've been asked  
13 to assume, and that is that -- that the  
14 primary debate, let's call it or the primary  
15 fight over whether the customer, 3AC  
16 retained any proprietary interest, digital  
17 assets they put onto the Exchange. I'm  
18 asked to assume that that is being answered  
19 in favor of 3AC for the purposes of my  
20 analysis. And my analysis is entirely  
21 logically contingent on that outcome. So  
22 that primary issue. So I don't opine on  
23 that primary issue. Nothing I say can have  
24 any significance on that issue.  
25

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debtor's operations?

A. Sorry, I didn't -- I didn't catch the last part, FTX.

Q. With FTX's operations?

A. When it was operating?

Q. Yes.

A. No. I mean one is not immune to what one sees in the news, for example. But -- but I wouldn't say -- I'm just trying to be fair here, I wouldn't say that has impacted in any way my -- my understanding of the specifics.

Q. Okay. Could you explain at a high level your understanding of how the FTX exchange operated?

MR. GLUECKSTEIN: Object to the form, outside the scope.

A. The -- my understanding is reflected in section D of my declaration. I can put that into pithier language now. But I'm inevitably not going to replicate verbatim what it said in section D. And the way it worked as I understand it, was it was an exchange. So you -- you signed up as a

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customer in order to undertake financial activities. You had an account that showed you your balance, as it were, for your -- for your activities, let's just call it your trading activities. But the -- the -- the -- the feature of it that jumps out more than anything is that if you, you would hand the private keys to your crypto assets to -- to FTX, to the Exchange operator. And anyone who knows anything about crypto surely knows that once you hand over the private key, it's gone, it's gone to the other person. So you have this account, and your account just shows you, in a sense your account shows you the value of your rights and obligations with the -- with the exchange, but it's not an account that has anything in it, as it were. Because this -- because things aren't in an account, the account just shows you where you're at, as it were. That's very -- very broad, I know.

Q. All right. I'm just going to ask about a couple of things you said.

You said your understanding is

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that customers would hand over the private keys to their wallets?

A. Yes.

Q. And I think you said your understanding is the account itself does not have anything in it; is that right?

A. Well, the account isn't a physical thing, and its contents aren't physical. So one just has to be careful about the concept of X being in Y, when neither X nor Y exist in the real world.

But yeah, for me the feature that stands out is the -- is the handing over of the private key.

Q. All right. I just wanted to make sure I understand what you meant when you said the account itself doesn't have anything in it.

A. What it records, it's going to record a -- a figure isn't it, an onset of figures. So -- so it has something in it in that loose sense of the word.

Q. But in what sense does it not have anything in it?

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A. Well, if you go to the -- the person in the street and say what's in your account, and they'll say X dollars. The dollars are in the account but it's layman's speak in a sense. It's -- it's "in" in a sense that what "in" -- what "in" has to mean in a -- in a set up like this is it's -- you've posted digital assets, you have an account that credits the value to you and they are in your account in that sense. But you no longer control them because you've handed over the private key to them. So they -- they're in your account in the sense that their value is recorded or reflected in your account.

Q. Yeah, I'm not sure that answered my question. My question was in what sense does the account have nothing in it?

MR. GLUECKSTEIN: Object to the form.

A. Well, in the physical sense. The only reason I raise this is because -- because like I said, neither an account nor its contents are physical, they're not

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1  
2 come from?

3 A. Well, it comes from my assumptions  
4 as to how accounts worked in practice.  
5 That's a -- that's a factual issue for the  
6 trial judge, not for me.

7 Q. I'm sorry, is the word credited a  
8 word you suggested for your declaration or  
9 someone else?

10 A. It's -- it's the right word or  
11 right phrase, credited to or credit to  
12 describe the nature of an account held on  
13 this exchange based on the assumptions that  
14 I record in section D. It goes back to that  
15 little debate we had earlier in the morning  
16 about the word "in."

17 Q. So what did you mean by credited?

18 A. It means what it says. It's if  
19 you -- if you hold an account and it shows a  
20 value or a balance, a balance figure, then  
21 that balance figure is the product of  
22 amongst other things, digital assets  
23 associated with your holding that account.  
24 You don't own the private keys to them  
25 anymore, you don't hold those private keys,

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1 I should say, and has legal implications  
2 beyond my agreement. But it's a fair and  
3 accurate description of the functionality of  
4 that account and what it -- what it is and  
5 what it isn't to use the phrase "credited  
6 to."

7 Q. Credited means digital assets  
8 associated withholding the account?

9 A. I think those two phrases  
10 associated with and credited to are  
11 functionally interchangeable, yes.

12 Q. All right. Now, you're not giving  
13 an opinion on whether there were assets  
14 credited to 3AC's account at the end of any  
15 particular day; right?

16 A. No, I'm not.

17 Q. Okay. You're not giving an  
18 opinion on which assets in the commingled  
19 FTX wallets were credited to 3AC's accounts;  
20 right?

21 MR. GLUECKSTEIN: Object to the  
22 form.

23 A. No, I'm not.

24 Q. You're not going an opinion on  
25

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1 whether there were any assets in the FTX  
2 accounts of 3AC at any particular day;  
3 right?

4 A. I'm not, no.

5 Q. You're not giving an opinion on  
6 what the phrase "All assets in all FTX  
7 accounts of a customer" means; right, sir?

8 A. Well, Mr. Webster does, doesn't  
9 he? And to some extent I think I do as a  
10 result of giving an opinion that's  
11 responsive to his.

12 Q. Okay. Can you show me where in  
13 your declaration you give an opinion on what  
14 the phrase "All assets in all FTX accounts  
15 of a customer" means?

16 A. I don't know if it crops up in a  
17 discrete place. Bear with me because again,  
18 this isn't committed to memory.

19 Q. You did review this yesterday;  
20 right, sir?

21 A. Yeah, of course. But I mean, it  
22 doesn't mean I know exactly where everything  
23 is.

24 The -- where I deal with  
25

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1 Mr. Webster on this, I think it's 93. I  
2 think mine -- I can't recall off the top of  
3 my head which paragraph of the Webster  
4 declaration this responds to. So 93, and  
5 then the whole section that follows on from  
6 there.

7 Q. So is there somewhere in your  
8 declaration where you give an opinion on the  
9 meaning of the phrase "All assets in all FTX  
10 accounts of the customer"?

11 A. I think -- I think it's baked into  
12 my opinion that the word "in" agreed by  
13 these parties in the context of how this  
14 exchange works is taken to mean credited to  
15 or associated with because if you -- if you  
16 hand over the private key to crypto, you've  
17 handed over the crypto. And that's that.  
18 So it's -- and that how this exchange works.  
19 So a phrase like "all assets in all of the  
20 FTX accounts of the customer" has to be  
21 given a sensible meaning based on that --

22 Q. Okay. But you'd agree with me  
23 that that phrase --

24 A. Well, you just cut me off.  
25

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1

Q. Oh, I'm sorry.

A. I was mid sentence but maybe I wasn't making that clear.

Has to be given a sensible meaning based on that immutable context. That's just -- that's just the reality of how this exchange worked. So, so yes, it's baked into my -- it is baked into my opinion. And surfaces I would say probably most acutely in paragraph 93 that "in" is the same thing as credited to or associated with.

Q. Do you agree that no where in the words on the page do you say you're giving an opinion on what the phrase "all assets in all FTX accounts of the customer" means; right, sir?

A. No, I think -- I think I am. But I don't -- I don't deal with this as a separate issue. It's like I said, it's baked into the reasoning.

Q. Okay. Show me -- show me where the phrase that "all assets and all FTX accounts to customer" appears in 93 or 94?

MR. GLUECKSTEIN: Object to the

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1

form.

A. It appears in 90 and then 93 with the emphasis in bold in italics on the word "in" in the first line of 93. 93 is dealing with Mr. Webster's point on this, where he says "there were no assets in." And then 93 flows into 94, which is a summary of what's about to follow, pledge lien on the one hand, fixed or floating charge on the other hand.

And then 95 to 100 is the pledge lien analysis. And then 101 to where ever it ends, 104 -- no, 105, and then I guess to 106 is the fixed or floating charge analysis. And then 106 I make the point which I've made elsewhere that it's not for me to opine on perfection of a charge because that's -- that's a BVI point. So it's that whole section, starting with 90. And like I say that, that analysis is baked into 93 really.

Q. To make sure I understand, you're saying you think you do have a view on what the phrase "All assets in all FTX accounts

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1

to customer" means; is that right, sir?

A. Well, I do in this sense, but I think Mr. Webster has a view on that and I'm responding to him and I disagree with him.

Q. Okay, so what's your view on what that phrase means?

A. That the word "in" means credited to or associated with. Because it has to. Because given the -- given the assumptions as to how the -- the Exchange operates.

Q. Are you giving an opinion on what are the FTX accounts to the customer?

A. I'm sorry?

Q. Are you giving an opinion on what are the FTX accounts of the customer?

A. You mean on that phrase?

Q. Yes.

A. What I'm assuming that the phrase -- hold on, I can't see it. I'm assuming the FTX accounts of the customer are the same things as customer accounts. Which I think is a phrase -- can I just check my declaration when I deal with structure.

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1

3AC account, sorry, is the phrase.

In paragraph 23, 3AC maintains certain customer accounts. I couldn't remember whether they were defined as customer accounts or 3AC accounts.

So yes, I'm -- I'm assuming that the phrase FTX accounts of the customer in the first line of clause 3 are the same thing as 3AC accounts as defined in paragraph 23 of my declaration.

Q. All right. A couple of things I wanted to unpack there.

So first you're assuming that the phrase "FTX accounts the customer" in clause 3 is the same thing as 3AC accounts as defined in paragraph 3 of your declaration?

A. I just assumed that, yes.

Q. Okay. You're not giving an opinion on that; right, sir?

A. No, I just assumed that.

Q. Do you know exactly what are the 3AC customer accounts on the FTX.com exchange that you mention on 23?

A. I don't know what they are in

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1  
2 A. -- extended by the -- the first  
3 section of that agreement.

4 So the phrase contractual  
5 entitlements is intended just to encapsulate  
6 the package of rights and any conditions  
7 attaching to them which flow from being a  
8 customer.

9 Q. Did you review the terms of  
10 service that were at issue here?

11 MR. GLUECKSTEIN: Object to the  
12 form.

13 A. I've looked at them, but not with  
14 the same intensity that I've looked at the  
15 Exhibit 20 that you handed to me.

16 Q. Okay. I take it you're not giving  
17 an opinion on what the contractual  
18 entitlements were?

19 A. No, I'm -- No, I'm making  
20 assumptions about those which you've seen  
21 recorded in section D.

22 Q. Okay. In paragraph 26, one of the  
23 assumptions you were given is the account  
24 balance represented 3AC's total entitlement  
25 with respect to the 3AC accounts. Do you

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1 see that, sir?

2 A. I do, yeah.

3 Q. And that again is an assumption  
4 you were given, not an opinion you were  
5 providing?  
6

7 A. Correct.

8 Q. Did that assumption have any  
9 impact on any of your analyses?

10 A. I don't think so. I don't think  
11 so.

12 Q. If -- if 3AC's account balance  
13 represented its total entitlement, how could  
14 3AC have granted security over particular  
15 digital assets?

16 A. Because it can -- because someone  
17 with a proprietary interest in an asset is  
18 free to grant security in respect to it.

19 Q. Okay. So for 3AC to have a  
20 proprietary interest as you were told to  
21 assume, that must mean it has some interest  
22 beyond the -- just the account balance;  
23 right?

24 A. It just means what it says, it's  
25 got a proprietary interest in an asset.

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1 Q. What asset?

2 MR. GLUECKSTEIN: Object to the  
3 form.

4 A. The asset in respect of which it's  
5 granting security.

6 Q. And what is that asset here?

7 A. I'm attempted to say it doesn't  
8 matter because it -- because it doesn't.

9 Because my -- because the analysis is a  
10 conceptual analysis. It starts with the  
11 premise that we've talked about at length,  
12 which is that 3AC retained a proprietary  
13 interest in an asset such as to enable it to  
14 grant a security interest. And then the  
15 question is, did it?

16 Q. Okay. You see then starting on  
17 paragraph 27 you discuss the margin trading  
18 program?  
19

20 A. Well, margin lending program, but  
21 yes, it's under the heading of margin  
22 trading, yeah.

23 Q. Okay. What's your understanding  
24 of how the margin lending program worked?  
25

A. That's set out in those two

Page 145

1 paragraphs.

2 Q. Well, we have to have a record  
3 here, so what is your understanding? And if  
4 you need to repeat words, it's fine.

5 A. Well, I just don't want to use  
6 words that aren't the same as I have there  
7 so I'll read into the record paragraphs 27  
8 and 28 of my -- my declaration. That's the  
9 quicker way of doing it, I think.

10 Q. So you have no understanding other  
11 than what's written in paragraphs 27 and 28?

12 A. That -- that's fair, yes.

13 Q. Okay.

14 Is it fair to say a customer could  
15 only loan assets if they had assets to lend?

16 A. I just don't, I don't express an  
17 opinion on that.

18 Q. Why do you mention the margin  
19 lending program?  
20

21 A. Because it's part of the  
22 contractual matrix here that I'm opining on,  
23 because it's contemplated in the definition  
24 of indebtedness in -- in Exhibit 20.

25 Q. So one component of indebtedness

Page 146

1  
2 is any indebtedness as a result of the  
3 margin lending program?

4 A. It seems to be.

5 Q. Okay. Another component of  
6 indebtedness is indebtedness as a result of  
7 the line of credit?

8 A. Yes, it seems to be.

9 Q. In paragraph 28 you -- you say, In  
10 mid May 2022, 3AC took long positions in BTC  
11 and ETH via spot trading?

12 A. Yeah.

13 Q. What do you mean by long  
14 positions?

15 A. On buying.

16 Q. Okay. Is that -- is that  
17 assumption relevant to any of your opinions?

18 A. I'm not sure that is, no, because  
19 that's about particular behavior. I don't  
20 think any of the assumptions that I recalled  
21 about particular events matter for my  
22 opinions. I think the assumption -- they're  
23 in there because they animate, as it were, a  
24 set of otherwise quite sterile assumptions  
25 about the structure and the operation of the

Page 147

1  
2 Exchange. But it's those -- it's those  
3 structural and operational assumptions which  
4 are the ones that matter for my opinions.

5 Q. Okay. Paragraph 30 you say, The  
6 perpetual futures contract itself was not an  
7 asset that has value. It could not be sold  
8 or otherwise transferred for consideration.

9 Do you see that?

10 A. Yeah.

11 Q. Okay. And that again is an  
12 assumption you were giving?

13 A. Yes.

14 Q. Okay. Taking that assumption,  
15 could a security interest be granted on the  
16 perpetuals future contracts?

17 A. Well, that's not something --  
18 that's not something that matters for the  
19 purposes of my analysis.

20 Q. You're not giving an opinion on  
21 whether a security interest was granted on  
22 the futures contracts?

23 A. No, or could be, and I wouldn't  
24 want to speculate, quite frankly. But the  
25 reason that's in there is because it's --

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1  
2 it's -- I guess because it feeds into the  
3 margin requirements because the margin  
4 requirements as you'll see from the first  
5 sentence of 31 were referable both to spot  
6 margin trading, which is the margin trading  
7 in 27 and 28 and perpetual futures trading  
8 as discussed in 29 and 30.

9 Q. Right.

10 A. And the margin requirements are  
11 obviously of some relevance to the  
12 conditionality or qualifications attaching  
13 to a customer's right to withdraw.

14 Q. So what is the relevance of the  
15 margin requirements to your analysis?

16 A. Again, it -- it forms part of the  
17 structural or operational matrix as I would  
18 call it.

19 Q. Okay. Do the particular  
20 requirements matter to you?

21 A. No, they don't to me.

22 Q. Okay. Starting in paragraph 41  
23 you have an analysis of Antiguan law  
24 section?

25 A. Yes.

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1  
2 Q. Is it fair to say you don't cite  
3 any Antiguan specific law on the substantive  
4 issues in your report?

5 A. No. I don't believe Mr. Webster  
6 does either.

7 Q. And I believe your view is there  
8 is no Antiguan specific law on these issues;  
9 right?

10 A. I agree with Mr. Webster on that,  
11 yes.

12 Q. Okay. So can we turn to paragraph  
13 48?

14 A. Yes.

15 Q. You have a section on rules of  
16 contractual interpretation?

17 A. Yes.

18 Q. Okay. And the first case you  
19 mention is, let's see, the English Supreme  
20 Court decision and Rainy Sky? Do you see  
21 that, sir?

22 A. Yes. It's the one I mentioned  
23 that earlier.

24 Q. Okay. And I think you refer to  
25 that as a notable decision?

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1  
2 A. It comes in perfection. It  
3 depends -- it depends on the asset. Again,  
4 we are back to the debate about what is --  
5 what is the premise that leads into my  
6 analysis. Because the premise could give  
7 you the answer here.

8 If the premise is 3AC held a  
9 proprietary interest in specific wallets,  
10 then the control issue is more focused on  
11 that. And the perfection of any security  
12 granted of the possessory kind, the annual  
13 pledge would focus in on those assets, if  
14 that's what the premise supplies. But my  
15 jumping point isn't -- isn't -- doesn't have  
16 that determined for me. My jumping point,  
17 as I have made clear, is simply that 3AC has  
18 a proprietary interest in assets that are  
19 posted on the Exchange.

20 Q. So you are not -- you are not  
21 making a premise -- an assumption as to what  
22 kind of proprietary interest 3AC has?

23 A. No, I am not.

24 Q. If the proprietary interest is in  
25 an undivided and fluctuating percentage of a

Page 199

1 pool of assets in a particular wallet, you  
2 would agree, sir, that that the degree of  
3 perfection -- the control that may be  
4 relevant to perfection would involve control  
5 over the pool of assets; right?

6 MR. GLUECKSTEIN: Object to the  
7 form.

8 A. Yeah, I am struggling with the  
9 premise that you have posited because I am  
10 struggling with what a proprietary interest  
11 would be in that undivided -- what was the  
12 formulation? Percentage stake in an  
13 undivided pool. I don't know what that  
14 looks like as a premise. That's why for my  
15 purposes it is -- it is not relevant to try  
16 and speculate as to the precise nature of  
17 the premise supplied. The nature is more  
18 generic, so the premise is more generic. It  
19 is simply that 3AC retained a proprietary  
20 interest in assets that -- that enabled it  
21 to grant security in relation to the assets.

22 Q. You haven't considered whether you  
23 grant a security interest over a percentage  
24 stake in an undivided pool; right?  
25

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1  
2 A. Well, I have considered it in the  
3 sense that you can -- you could charge, you  
4 could grant a charge, but so long as you had  
5 a corresponding interest in the thing that  
6 you were charging, if you see what I mean.  
7 But I haven't -- I haven't independently  
8 interrogated that as a legal premise. It  
9 doesn't arise from Mr. Webster's declaration  
10 at all.

11 Q. You would agree, sir, if what you  
12 are analyzing is some form of interest in a  
13 pool, then for perfection purposes you  
14 should be looking at control over that pool;  
15 right, sir?

16 A. That feels broadly -- broadly  
17 correct.

18 Q. Okay. Looking further on in  
19 paragraph 93, and this may just be an  
20 example of English, English as opposed to  
21 American English?

22 A. Yes.

23 Q. But at the bottom, the second  
24 sentence from the bottom you say,  
25 Accordingly I proceed on the basis, what

Page 201

1 does that --

2 A. Hold on, where are we?

3 Q. Sorry, we are at 93 at the bottom  
4 of page 4.

5 A. Page 34.

6 Q. Yes. So what do you mean by "I  
7 proceed on the basis"? Is that an  
8 assumption you are given?

9 A. Where am I saying this?

10 Q. On 93?

11 A. Yes, sorry, your question.

12 Q. I am trying to understand what the  
13 phrase "I proceed on the basis" means. In  
14 particular, is that you saying this is an  
15 assumption that you are making?

16 A. Yes.

17 Q. Okay. And then -- then you have  
18 two romanettes 1 and 2. And so in romanette  
19 1, the assumption for the lien and pledge is  
20 that the secured assets were included, those  
21 digital assets credited 3AC accounts. And  
22 then romanette 2 for a charge, you add the  
23 assumption that it also included 3AC's  
24 proprietary interest in the digital assets;  
25



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1  
2 provide it to the pledgee?

3 MR. GLUECKSTEIN: Object to the  
4 form.

5 A. I am just going to give you the  
6 same answer, the pledgor or the putative  
7 pledgor needs to have a proprietary interest  
8 at a legal moment in time in order to  
9 grant -- in order to pledge and grant a  
10 pledge to someone else.

11 Q. But in order for that pledge to be  
12 perfected, the grantee needs to have  
13 exclusive control; right?

14 A. Yes.

15 Q. Do they need to obtain that  
16 exclusive control from the grantor?

17 A. They just need to obtain it.

18 Q. So just to go back to my question,  
19 then, does the grantor need to have  
20 exclusive control in order -- in order for  
21 the grantee to obtain that exclusive  
22 control?

23 MR. GLUECKSTEIN: Object to the  
24 form.

25 A. The grantor just -- the

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1 grantor/pledgor needs to have a proprietary  
2 interest.

3 Q. Is exclusive control affected by  
4 the grantee's ability to transfer title?

5 A. I don't know.

6 Q. If the grantor can transfer  
7 client, is that inconsistent with exclusive  
8 control?

9 A. Whose?

10 Q. With the grantee's exclusive  
11 control. Let me put it all in one question  
12 so it is clear to you, sorry.

13 A. Yeah.

14 Q. If the grantor can transfer title,  
15 is that inconsistent with the grantee's  
16 exclusive control?

17 A. In respect of the same asset, it  
18 would feel -- it would feel inconsistent.

19 Q. Okay. If the grantor can really  
20 invest and trade an asset, is that  
21 inconsistent with the grantee's exclusive  
22 control of that same asset?

23 MR. GLUECKSTEIN: Object to the  
24 form.  
25

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1  
2 A. If you are talking about the same  
3 asset, then that feels inconsistent. But I  
4 have a sense this is quite esoteric.

5 Q. If the grantor has the right to  
6 lend an asset, is that inconsistent with the  
7 grantee's exclusive control of that asset?

8 A. Well, if by land you mean transfer  
9 possession over it from the grantee to  
10 someone else, that also would feel  
11 inconsistent with the grantee's exclusive  
12 control over it, yes.

13 Q. If the grantee is prohibited from  
14 transferring title, is that inconsistent  
15 with the grantee's exclusive control?

16 MR. GLUECKSTEIN: Object to the  
17 form.

18 A. Not necessarily, not necessarily.

19 Q. Okay. If the grantee is  
20 prohibited from investing or trading or  
21 profiting from property, is that  
22 inconsistent with the grantee's exclusive  
23 control?

24 MR. GLUECKSTEIN: Object to the  
25 form.

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1  
2 A. Not necessarily.

3 Q. If the grantee is prohibited from  
4 lending or using the property as security  
5 for a loan, is that inconsistent with the  
6 grantee's exclusive control?

7 A. Not necessarily.

8 Q. If the grantee is prohibited from  
9 representing to others that it has ownership  
10 of that -- of the asset, is that  
11 inconsistent with its exclusive control?

12 A. No, because that's just about what  
13 people can say.

14 Q. If you look at paragraph 753 of  
15 your report, you discuss your response  
16 decision, right?

17 A. Yes, Court of Appeal.

18 Q. And you have a quote from the  
19 decision regarding the requirement of  
20 exclusive control; right?

21 A. Uh-huh.

22 Q. I take it you found that case  
23 instructive on this issue?

24 A. It is analogous, it is about -- it  
25 is about a database.

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1 plain and unambiguous?

2 A. Not really. As I said, the  
3 headings are just descriptive, aren't they.  
4 I would rely more on the words in the second  
5 sentence, The customer hereby pledges and  
6 grants a continuing lien on and security  
7 interest in, dot, dot, dot.

8 Q. You view that language that you  
9 just described as a plain and unambiguous  
10 grant of a lien?

11 A. A pledge and a lien, yes.

12 Q. Okay. You would agree that  
13 nothing in this agreement explicitly states  
14 that a charge is granted?

15 A. It doesn't say grant a charge.  
16 But what it does say is, Hereby pledges and  
17 grants a continuing lien on and security  
18 interest in, which is strongly suggestive of  
19 the fact that the phrase "and security  
20 interest in" is different from either a  
21 pledge or a lien.

22 And it goes on later on to say  
23 that, FTX shall have all the remedies of a  
24 chargee under the laws of Antigua, and the  
25

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1 customer shall not grant any other person a  
2 lien.

3 My reading of these eight lines is  
4 that the parties were going out of the way  
5 to ensure that the customer granted as much  
6 and as many types of consensual security,  
7 possessory and non-possessory, over the  
8 secured assets as it possibly could with the  
9 words used, apart from the mortgage.

10 Q. So I believe the two clauses that  
11 you indicate -- suggest to you that a charge  
12 is granted, the "security interest in"  
13 clause and "all remedies of a chargee"  
14 clause; is that right?

15 A. Yes, all phrases within clauses,  
16 yeah.

17 Q. Okay. What is it about the phrase  
18 "and security interest" that you read to me  
19 that a charge was granted?

20 A. Well, I think you got to read the  
21 two phrases together. The stage one would  
22 be to look at those words "and security  
23 interest in." They are doing nothing as  
24 contractual words, if all they are doing is  
25

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1 replicating or recapping a pledge or a lien,  
2 because you just wouldn't need them.  
3 Because you could grant your pledge and your  
4 lien, but just saying hereby grants --  
5 hereby pledges and grants a continuing lien  
6 on the secure assets.

7 And what they are doing, what they  
8 are doing later on, FTX shall have all the  
9 remedies of a chargee. If FTX is given all  
10 the remedies of a chargee, that is strongly  
11 suggestive to my mind, even if not  
12 Mr. Webster's, that the words "and security  
13 interest in" when they are doing something  
14 different are granting an equitable charge.  
15 That's how I would read this.

16 Q. Okay. So let me break down a  
17 couple of things you said. I think you said  
18 that first phrase is doing nothing unless it  
19 has some independent meaning; right?

20 A. Yes, that's a working rule of  
21 thumb or cannon of construction, that all  
22 the words are doing something.

23 Q. Is that the rule against  
24 surplusage?  
25

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1 A. Yes, it is something called that,  
2 yes.

3 Q. So do you view the rule against  
4 surplusage as through more than a make  
5 weight point?

6 MR. GLUECKSTEIN: Object to the  
7 form.

8 A. No, I don't.

9 Q. Do you think it carries little  
10 weight in the interpretation of commercial  
11 contracts?

12 MR. GLUECKSTEIN: Object to the  
13 form.

14 A. No, I don't. I mean, this is --  
15 you are looking at construing eight lines  
16 here and they are important. And if you are  
17 going to use the specific pledge in the  
18 specific lien and then go on to use more  
19 generic language, that generic language is  
20 going to be doing something, because it --  
21 it just means nothing otherwise.

22 And if it stopped there, then I  
23 would have more sympathy with Mr. Webster's  
24 analysis, and no doubt yours. But it goes  
25

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on, doesn't it, to talk about remedies of a chargee. And that to me tells us what these contracting parties had in mind by the phrase "and security interest in," i.e., an equitable charge.

Q. Do you think the rule against surplusage is unlikely to be useful in interpreting a standard form of a contract?

MR. GLUECKSTEIN: Object to the form.

A. No. And I wouldn't be too hung up on rules, it is just what are these parties seeking to achieve through the words they have used here. And as I read this, and as I think an Antiguan Court would construe it, that came before that at that Court, they are trying to achieve a maximum numbers of forms of security in favor of FTX as they can.

Q. Do you think -- is it possible that the phrase "and security interest in" is intended to clarify the prior words?

A. I don't see how it does.

Q. So you don't think it is possible

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Q. There is nothing in this clause indicating that the requisites for a pledge have been satisfied?

A. Satisfied, it says here by pledges.

Q. Okay. Well, when I asked you about whether this phrase could be referring to a mortgage, you said no, because it would need to be coupled with something making it clear that the requisites for a mortgage were put in place.

So is there something in this clause that indicates that a requisite for a pledge has been put in place?

A. No, but you would -- in order for the mortgage -- if you are going to mortgage these things, assuming they are capable of a mortgage, you would -- it is a more draconian form of security, so you would just be expected to say it.

And the other indication, of course, we shouldn't lost sight of that sentence, you would expect it to say FTX shall have all the remedies of a chargee or

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that "security interest in" is -- refers back to the prior phrase?

A. That would be too autologous, because a pledge is a security interest and so is a lien.

Q. Would you agree that if the parties intended for "security interest in" to grant a charge, it would have been clearer to state "and other security interest in"?

A. I think that would have been clearer.

Q. Do you agree that the phrase "and security interest in" could be referring to a mortgage?

A. No, because it would need to be coupled with something making it clear that the requisites for a mortgage were put in place. And neither I nor Mr. Webster think it means that.

Q. Well, there is nothing in this clause indicating that the requisites for a pledge have been satisfied?

A. Sorry?

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mortgagee, or mortgagee instead of chargee, but it doesn't say that. So I think you have just got to run these words, you have to, it is a an eight -- seven-line clause. It works together, doesn't it.

Q. Okay. Do I understand the reason you say that it is impossible that "security interest in" could be referring to a mortgage is because it was impossible for the parties to grant a mortgage in this instance?

A. I don't think I said impossible. I think ultimately this is about ascertaining intention, isn't it?

Q. Well, let me ask. Is it possible that the phrase "security interest in" is referring to a mortgage?

A. As bad language in isolation that is possible. Viewed in context with the rest of the clause and the rest of the contract and particularly remedies of a chargee, no references to remedies of a mortgagee lien, I would say that that is not what this clause means. And I -- and I am

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1  
2 "lien against." And then later in that line  
3 at the bottom, in or in any right, title or  
4 interest in. So they go on, in, against,  
5 in, in, that's five.

6 Q. Sir, when you are describing a  
7 charge, are you aware that you refer to a  
8 charge over the secured assets?

9 A. Yeah, that's how I would do it,  
10 but maybe I am a purist, and these guys  
11 aren't.

12 Q. So purist would refer to it as a  
13 charge over assets; right?

14 A. Well, I said maybe, maybe I am  
15 not -- maybe that's not the purist approach.  
16 But that's just how I would use language.

17 Q. Are you aware you never refer to a  
18 "charge in the secured assets"?

19 A. I don't know if I ever have or  
20 not.

21 Q. Are you aware that in this  
22 declaration you never refer to a "charge in  
23 the secured assets"?

24 A. I doubt I would, because I think  
25 my choice of language would be "charge

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1 over." But that's my choice of language.

2 I think a better -- I think a  
3 better phrase for all -- for all forms of  
4 securities "in respect of." So it is just  
5 that's a mouthful when you are trying to  
6 write the shortest contract you can. But I  
7 think the phrase "in respect of" is  
8 technically the best one to use.

9 Q. If the parties meant security to  
10 mean charge, wouldn't have been much more  
11 natural for the parties to have used the  
12 word "charge" instead?

13 MR. GLUECKSTEIN: Object to the  
14 form.

15 A. I don't know what you mean by  
16 "more natural."

17 Q. Would it have been clearer?

18 A. Well, I said -- I agreed with you  
19 earlier it would be clearer if they had said  
20 "and other security interest in," but that's  
21 just -- but that's just relative to what  
22 they have done. I -- I regard as what they  
23 have done as clear.

24 Q. It would also be clearer if

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1 instead of "security interest in" they had  
2 said "charge over;" right?

3 A. Yes, it would be clearer. But it  
4 doesn't mean it isn't clear.

5 Q. And you would agree that the  
6 parties seem to know what a charge is,  
7 right, since they refer to a chargee later  
8 on in this same sentence; right?

9 A. I never know the extent to which  
10 one should attribute to commercial parties  
11 knowledge of these things. But yeah, they  
12 seem to be aware of a charge being something  
13 different or at least a form of security  
14 that they are intending to put in place.

15 Q. In your view, are there reasons  
16 why the parties would not have just stated  
17 "charge" if they intended to create a  
18 charge?

19 A. Contracting parties use words to  
20 convey meaning. And so I wouldn't want to  
21 speculate. I know Mr. Webster speculates,  
22 but I regard what he has done there as -- as  
23 impermissible.

24 Q. So sitting here today, can you  
25

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1 tell me any reason why if parties intended  
2 to create a charge, they would not have just  
3 stated charge?

4 A. Because they are not very good at  
5 drafting, that's usually the answer to all  
6 of these things.

7 Q. The only reason you can think of  
8 why they would not have stated a charge is  
9 because they are not good at drafting?

10 A. Yes, that's how we make our money.

11 Q. So under Antiguan law, is an  
12 ambiguity in a contract construed against  
13 the drafter?

14 A. You mean contra preferentum, I  
15 don't know, but I don't regard this as  
16 ambiguous, so.

17 Q. Well, before we get to whether it  
18 is ambiguous, you don't know whether -- can  
19 you say the Latin phrase again?

20 A. Contra preferentum.

21 Q. You don't know whether that  
22 doctrine applies in Antiguan law?

23 A. Well, on the basis it follows

24 English common-law, the doctrine exists --  
25

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1  
2 are many contracts, like I said, that's what  
3 keeps the lawyers happy. But just because  
4 something is poorly drafted, it doesn't  
5 means it contains a mistake. It just means  
6 it could be inarticulate or just imperfect.

7 Q. If it you were a judge sitting in  
8 Antigua attempting to interpret a contract,  
9 you would attempt to make it -- interpret it  
10 in a way that makes sense, rather than a way  
11 that indicates it is imperfect or  
12 inarticulate?

13 A. Well, if we go back to Rainy Sky  
14 and the Krys case. If you are applying your  
15 cannons of construction, you end up on that  
16 junction, that dilemma. If you have gone  
17 through the exercise and you still end up a  
18 junction in the road, a fork in the road,  
19 and one -- one sign post says sensible and  
20 the other sign post says not sensible, then  
21 English, and therefore Antiguan contract  
22 law, says you go down the sensible path.

23 Q. Okay. I believe the other phrase  
24 you have highlighted in section 3 is the  
25 phrase the "remedies of a chargee;" right,

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1 sir?

2 A. Yeah.

3 Q. And why would the reference to the  
4 "remedies of a chargee" be necessary if the  
5 previous phrase "and security interest in"  
6 granted a charge?

7 A. Just -- just gives some concrete  
8 meaning to a phrase that didn't have on its  
9 face concrete meaning. So the phrase "and  
10 security interest in" is capable of  
11 including charge, and to go back to our  
12 earlier discussion, is technically capable  
13 of including mortgage. It is just that you  
14 find out what it actually means by you going  
15 down three lines and seeing "remedies of a  
16 chargee." That's what these parties  
17 understood they were conferring.

18 Q. Okay. So I understand that  
19 explanation, you are saying that phrase,  
20 "and security interest in," might be  
21 ambiguous, but the phrase "remedies of a  
22 chargee" clarifies it?

23 A. No, I am not saying that.

24 I am saying it is a phrase,  
25

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1 different things -- it is a generic phrase  
2 that can contain more than one thing. The  
3 only two things that are left are mortgage  
4 and charge. And you find the answer to what  
5 it does contain by going down three lines  
6 and you see the phrase "remedies of a  
7 chargee." And so then you go, oh, so they  
8 did make it clear after all. It is a  
9 charge.  
10

11 Q. Well, the third option is that it  
12 is not intended to create a second security  
13 interest at all, but rather just clarifying  
14 the one security interest that is granted;  
15 right, sir?

16 A. Well, your question should really  
17 be a third, not a second, because it has got  
18 a pledge in the lien already, so you got  
19 your two. But that's just not how to read  
20 that phrase, I am afraid, because then "and  
21 security interest in" means nothing. And  
22 then the phrase "remedies of a chargee" make  
23 no sense. Why would you grant remedies of a  
24 chargee to a pledgee or a lienee.

25 Q. Sir, if the rest of the section

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1 already granted a charge, why would you need  
2 to clarify that the remedies of chargee are  
3 provided?  
4

5 A. Because it says all the remedies  
6 of a chargee, not just some of them. It is  
7 making clear that they are all, all the  
8 remedies of a chargee are available under  
9 the laws of Antigua.

10 Q. So just to make sure I understand,  
11 if this section said a charge is granted,  
12 are you saying that that would not  
13 inherently mean all the remedies of a charge  
14 are provided?

15 A. That could be in there  
16 for (unintelligible). But now you have  
17 moved to a different clause altogether. If  
18 this clause has said in terms grants an  
19 equitable charge in, on, over, or whatever  
20 your choice of preposition, it probably  
21 wouldn't have gone on to say all the  
22 remedies of chargee, because it wouldn't  
23 have needed to, would it.

24 Q. So if it has said grants a charge  
25 upon or whatever word you would like, you

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1  
2 would not need to then say all the remedies  
3 of a chargee; correct?

4 A. Well, who knows what "need" means  
5 there. I would just be surprised if the  
6 parties had chosen the more direct language  
7 of hereby grants a charge over or under,  
8 whatever, that they would then say the next  
9 thing. But they might still say it, just to  
10 clarify, that the charge -- that this  
11 particular charge carries with it all the  
12 remedies of a chargee under the relevant  
13 law, I don't know.

14 Q. You agree that remedies of a  
15 charge can be different than the remedies of  
16 a pledge or lien; right?

17 A. The remedies of a chargee?

18 Q. Chargee, yes.

19 A. Yeah, yeah, they can.

20 Q. So what are the remedies of a  
21 chargee under Antiguan law?

22 A. I don't know.

23 Q. So you do not know how they might  
24 differ from the remedies of a lien holder or  
25 pledgee under Antiguan law?

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1  
2 A. I don't know. But these parties  
3 presumably thought that they were giving  
4 something more by including the words "FTX  
5 shall have all the remedies of a chargee"  
6 under laws of Antiguan.

7 Q. Do you agree there could be  
8 reasons why a party might seek the remedies  
9 of a chargee without seeking to become a  
10 chargee?

11 A. Well, Mr. Webster suggests that  
12 there are. But I didn't find that  
13 particularly compelling.

14 Q. You don't respond to that portion  
15 in your declaration; right?

16 A. Well, he says there was no charge  
17 conferred. And I say there was a charge  
18 conferred.

19 Q. That wasn't really my question.  
20 Maybe my question wasn't clear.

21 You noted that Mr. Webster  
22 indicated that there are reasons why a party  
23 may seek to obtain the remedies of a chargee  
24 without seeking to become a chargee.

25 Do you recall that?

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1  
2 A. Yes.

3 Q. You don't respond to those reasons  
4 in your declaration; right, sir?

5 A. I don't think I specifically cover  
6 that, no.

7 Q. Okay. Isn't it circular to say  
8 that the phrase security interest in refers  
9 to a charge because the clause later refers  
10 to remedies of a chargee?

11 MR. GLUECKSTEIN: Object to the  
12 form.

13 A. No, I don't think it is circular  
14 at all. I think at the risk of repetition.  
15 I think the phrase "and security interest  
16 in" is adding something to the phrase  
17 "hereby pledges and grants a continuing lien  
18 on."

19 Q. What does it add?

20 A. Well, I was going to say that. It  
21 is adding another form of security. It is  
22 doing it through that phrase, that  
23 four-letter phrase in a way that is generic,  
24 but can only include mortgage and charge.

25 And then the parties are

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1  
2 clarifying that what it does mean, and the  
3 only thing that it does include is a charge  
4 by that phrase later on all the remedies of  
5 a chargee must also, confirming you get the  
6 full suit of remedies provided by Antiguan  
7 law as a chargee.

8 Q. To make sure I understand that,  
9 you indicated that the phrase "and security  
10 interest in" is generic, but can only  
11 include mortgage and charge; is that right,  
12 sir?

13 A. Yeah, because it is -- they are  
14 the only two remaining candidates for  
15 consensual security.

16 Q. And then your view is the phrase  
17 "the remedies of a chargee" then is used to  
18 inform what that prior generic phrase means?

19 A. Yes, it tells you what it included  
20 in that four-letter phrase.

21 THE WITNESS: Am allowed to  
22 request a break so I could have a cup  
23 of tea, please.

24 THE VIDEOGRAPHER: We are going  
25 off the record. The time is 3:32 p.m.

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1  
2 Q. What control does FTX exercise  
3 over the percentage of 3AC's percentage of  
4 digital assets in a wallet?

5 MR. GLUECKSTEIN: Object to the  
6 form.

7 A. I think this is so hypothetical.  
8 It just isn't helpful to engage on this  
9 level.

10 Q. You are not able to answer that  
11 now?

12 A. Well, you are describing an asset  
13 as a percentage. I didn't see it. And  
14 FTX's control as exchange operator wouldn't  
15 be over a percentage, it would be over the  
16 contents of the assets that could be  
17 expressed as that percentage. I don't think  
18 you are comparing like with like, I think it  
19 is apples and pears.

20 But in fairness to myself, that's  
21 what 105 is in a sense hinting at, isn't it.  
22 105 is saying a floating charge analysis  
23 doesn't feel like the right fit here,  
24 precisely because fixed charge does. So  
25 this -- this difficulty in a sense is

Page 303

1 acknowledged in 105.

2 Q. So you don't - you don't see the  
3 secured asset as a percentage of the digital  
4 assets in the wallet?

5 MR. GLUECKSTEIN: Object to the  
6 form.

7 A. I can't speculate on what the  
8 premise is going to be. The generic premise  
9 is that 3AC has a proprietary interest in  
10 assets comprising the secured assets.

11 Q. But you don't see that proprietary  
12 interest being a percentage of the digital  
13 assets in the wallet?

14 A. I don't think it is for me to see  
15 or not see it to be honest.

16 Q. I am just trying to understand.

17 What you are saying there is a  
18 security interest over and how you would  
19 measure control over that secured asset?

20 So how would you measure -- if the  
21 proprietary interest is a percentage of the  
22 digital assets in the wallet, how would you  
23 measure control over that proprietary  
24 interest?  
25

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1  
2 A. I don't know how you would,  
3 because I don't know how much sense it makes  
4 to -- to describe that asset in that way to  
5 start with.

6 Q. Okay. Sitting here today, you  
7 can't tell me how you would measure control  
8 over such an asset; right?

9 A. No, I am not, I am not prepared to  
10 speculate on that.

11 MR. HARRIS: Okay.

12 (Whereupon, Excerpts from the  
13 Goode and Gullifer treatise was marked  
14 Houseman Exhibit 132 for identification  
15 as of this date.)

16 Q. Okay. You have been handed  
17 Excerpts from the Goode and Gullifer  
18 treatise that you cite?

19 A. Uh-huh.

20 Q. Why is it that you cited that  
21 treatise?

22 A. For general statements about types  
23 of security and the concept of an attachment  
24 and the difference between attachment and  
25 perfection, relatively -- relatively high

Page 305

1 level.

2 Q. Is it a well-regarded treatise  
3 under English law on those issues?

4 A. Yes.

5 Q. If you could turn to section 4.21.

6 Do you see 4.21 is a heading  
7 Current Assets Distinguished from Fixed  
8 Assets?  
9

10 A. Yes.

11 Q. And this section begins to discuss  
12 the exercise of deciding whether a charge is  
13 fixed or floating, do you see that?

14 A. Uh-huh.

15 Q. And one of the things the section  
16 identifies is the question of whether the  
17 chargor could dispose of the charged assets,  
18 do you see that?

19 A. Uh-huh.

20 Q. So you would agree that is a  
21 relevant inquiry into whether an asset -- a  
22 charge is fixed or floating; right?

23 A. Yes.

24 Q. Okay. And then in section 4.22,  
25 that's a section under the heading of Legal

Page 306

1  
2 and Practical Control?

3 A. Uh-huh.

4 Q. And you see in the third line he  
5 writes, It is clear that practical control  
6 alone is not sufficient for a charge to be  
7 fixed. It is critical that the charge  
8 agreement establishes the necessary legal  
9 control.

10 Do you see that?

11 A. Uh-huh.

12 Q. Do you agree with that?

13 A. It goes on, Although other matters  
14 may also be relevant to its interpretation,  
15 but yes. But this is positing a charge  
16 agreement. But I suppose we are positing  
17 that when we are saying clause 3 is a charge  
18 agreement.

19 Q. Then if you can turn to section  
20 4.23?

21 A. Yes.

22 Q. It is under a heading Degree of  
23 Control Necessary, do you see that?

24 A. I do, yes.

25 Q. And then if you look at the fourth

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1 or eighth line down to this treatise it  
2 says, The House of Lords made it clear in  
3 Spectrum where the chargor is able to remove  
4 the assets from the scope of the charge, the  
5 charge must be floated.

6 Do you see that?

7 A. Uh-huh.

8 Q. Do you agree with that statement  
9 of law?

10 A. I have got no reason to doubt  
11 that.

12 Q. And you would agree, sir, that  
13 Three Arrows here is able, if the assets is  
14 the percentage interest in the wallet, 3 --  
15 Three Arrows was able to withdraw that  
16 asset; right?

17 MR. GLUECKSTEIN: Object to the  
18 form.

19 A. I mean, that's a hypothetical that  
20 I have said I find a bit too esoteric to  
21 speculate about. What I have -- what I have  
22 said in my assumptions is that it had a  
23 qualified right of withdrawal.

24 Q. Okay. You are not going to

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1 speculate on the impact, if it turns out  
2 that the relevant asset is just a percentage  
3 right of the wallet?

4 A. Yeah, I just -- I don't feel  
5 comfortable speculating about that. I have  
6 got -- I have got difficulty with that --

7 Q. Okay.

8 A. -- as a concept.

9 Q. Okay. So just you are not giving  
10 an opinion on what would happen if the  
11 relevant asset is just a percentage of the  
12 wallet; right, sir?

13 MR. GLUECKSTEIN: Object to the  
14 form.

15 A. I am not -- I am not giving an  
16 opinion as to whether the charge granted by  
17 clause 3 would be fixed or floating on that  
18 hypothetical premise.

19 Q. Are there any other -- are there  
20 opinions you are giving on that hypothetical  
21 premise?

22 A. Yes, the pledge in the lien  
23 analysis remains intact.

24 Q. How about the issue of exclusive

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1 control, are you giving an opinion on that  
2 issue in the hypothetical world where the  
3 relevant asset is just a percentage of the  
4 wallet?

5 A. I am just trying to think through  
6 in terms of perfection of a pledgor,  
7 perfection of a lien. No, I don't think --  
8 I don't think I am, because I find -- I find  
9 the premise that you are positing is just  
10 too esoteric.

11 Q. In terms, assuming it is a charge?

12 A. Uh-huh.

13 Q. And I apologize if I asked you  
14 this already, but are there -- you are not  
15 giving any opinion on what the requirements  
16 to perfect that charge are, either under  
17 Antigua law applied or BVI law applied?

18 A. No. It is the thing we call the  
19 private international law assumption.

20 Q. Is it under the common law, so  
21 not -- assuming there is no registration  
22 requirements, so put those aside, I  
23 understand those could vary by country, but  
24 under the common law are there any



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contract contemplates. But it isn't -- it isn't the issue raised by Mr. Webster that I am dealing with.

Let me help you with the first half of that, the definition of "indebtedness" that you see in the recital to what Mr. Webster called the second half of this agreement -- sorry, what he would call the second agreement, rather. It says Whereas customer is a customer of the FTX.com cryptocurrency exchange. And FTX desires to afford customer with X as to margin trading and potentially discretionary line of credit facilities together the indebtedness is set forth in.

And then when you read clause 3 in other clauses, it is -- it is then presupposed that security is granted in favor of FTX to the extent of the indebtedness as defined.

And FTX is identified in clause 3 as the creditor. And therefore the recipient or beneficiary of all of that security. And indeed in clause 10, I think

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it is, under lenders' remedies, you see FTX is the person -- the person identified as having all the range of lenders' remedies.

Now I am not sure what the extent of all the debate is here. My understanding is what Mr. Webster said in his declaration is that even if the liability is incurred in a straightforward way from a customer to FTX, nevertheless no security is granted by clause 3, because FTX is not identified with sufficient certainty as the lender/creditor. And that is his opinion. I forget what paragraph that's in.

And I disagree with that. Because as far as I am concerned this contract, in clause 3 in particular, is abundantly clear that FTX is identified as the creditor and therefore the rightful beneficiary of the security interest granted thereunder.

So -- so the debate between me and Mr. Webster seems quite narrow, and it seems to be about whether or not FTX is identified with sufficient certainty as the lender/creditor/rightful beneficiary of

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security.

Q. Let me follow up on a couple of things you said. One is that you believe that under the margin agreement it is abundantly clear that FTX is identified as the creditor; is that right?

A. Yes, in clause 3.

Q. Okay.

A. So look what it says. It says, The secure asset has continuing security for the full and punctual payment, performance and discharge of the indebtedness until the satisfaction of all liabilities and of performance of all obligations of customer to FTX under this agreement.

Q. Now looking at 109, the only opinion you are giving is in the scenario where liability is incurred by Three Arrows to FTX?

A. It is, yes. And I am positing it, because it starts with if, the operative words start with if.

Q. So you are not giving an opinion in the world where the liability is instead

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incurred by 3AC to --

A. Someone else.

Q. -- other users?

A. Someone else.

Q. Okay.

A. Well, I am not safe insofar as that -- that is what clause 3 seems to say, that the definition of indebtedness in the recycle doesn't, it is a descriptive definition. But clause 3 does seem to assume that those liabilities are owed to FTX, which is why the security is granted to FTX and why subsists until extinction of all of those liabilities to FTX. It just seems to be what the clause says. But I am not -- I don't need to go there, because Mr. Webster wasn't talking about it.

So I start this whole section with if, If the court should find that any liability has been incurred by 3AC to FTX, brackets, privity of contract, and then whatever that may be, that must fall within indebtedness.

And I disagree with Mr. Webster

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when he says FTX is not identified as the lender/creditor for those purposes.

Q. Okay. You are not giving an opinion in the alternative world where Three Arrow's liability is to other entities besides FTX; right?

A. No, I am positing -- positing it with the word if.

Q. Okay. If you look at the definition of indebtedness in the margin agreement, if you have it?

A. Yes, I just read it out to you.

Q. Okay. So it mentions two things, access to margin trading and a potentially discretionary line of credit facilities, do you see that?

A. Uh-huh.

Q. Is it possible that this contract contemplates that the user lenders are the entity that is owed under the margin trading and that FTX is the entity that is owed under the lines of credit?

MR. GLUECKSTEIN: Object to the form.

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think it matters. Because I think what matters, this is my point of disagreement with Mr. Webster, is that clause 3 is abundantly clear in identifying FTX as the creditor and recipient of the security interest.

MR. HARRIS: I might be done, why don't we take five minutes.

THE WITNESS: Yes, sure.

THE VIDEOGRAPHER: We are going off the record. The time is 4:25 p.m.

(Whereupon, a short recess was taken.)

THE VIDEOGRAPHER: We are back on the record. The time is 4:32 p.m.

MR. HARRIS: We are done with our questions, and thank you, sir.

MR. GLUECKSTEIN: No questions. So that will conclude today's deposition.

THE COURT REPORTER: Would you like a copy?

MR. GLUECKSTEIN: Rough and three-day expedite.

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A. The recital might contemplate that. But like I said, clause 3 seems to contemplate that all the liability is owed to FTX. Because those words I read you, the words, As continuing security for the full and punctual payment, performance and discharge of the capital I, Indebtedness, until the satisfaction of all liabilities and performance of all obligations of customer to FTX under this agreement.

Q. Would you agree that under Antiguan law a security interest can't be granted to an amorphous, undefined class?

A. I agree that there needs to be a sufficient indication of the security holder, the beneficiary of the security interest, yes.

Q. Okay. And are you aware that there is no way to identify who the third-party lenders were who made loans to Three Arrows under the margin trading program?

A. Well, I am either aware or not aware of that in the sense that I just don't

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THE VIDEOGRAPHER: The time is 4:32. This concludes today's deposition. Thank you.

(Whereupon, at 4:32 P.M., the Examination of this witness was concluded.)

o o o o

## DECLARATION

I hereby certify that having been first duly sworn to testify to the truth, I gave the above testimony.

I FURTHER CERTIFY that the foregoing transcript is a true and correct transcript of the testimony given by me at the time and place specified hereinbefore.

STEPHEN HOUSEMAN

Subscribed and sworn to before me this \_\_\_\_ day of \_\_\_\_\_ 20\_\_.

NOTARY PUBLIC

## CERTIFICATE

STATE OF NEW YORK )  
: SS.:  
COUNTY OF QUEENS )

I, RIVKA TROP, a Notary Public for and within the State of New York, do hereby certify:

That the witness whose examination is hereinbefore set forth was duly sworn and that such examination is a true record of the testimony given by that witness.

I further certify that I am not related to any of the parties to this action by blood or by marriage and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of November, 2025.

RIVKA TROP

## EXHIBITS

## HOUSEMAN EXHIBITS

EXHIBIT LETTER	EXHIBIT DESCRIPTION	PAGE
120	CV	15
121	Decision Wang versus Darby	25
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123	Document	53
124	List of authorities	55
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127	Document	155
128	In Re Cosslett case	175
129	Mr. Webster's Report	206
130	Response decision	235
131	Antiguan and Barbuda Companies Act 1995	267
132	Excerpts from the Goode 04 and Gullifer treatise	04

## **Exhibit 18**

**Filed Under Seal**

## **Exhibit 19**

**Filed Under Seal**